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in respect thereof, shall be a charge upon the Charged Premises, shall bear interest at the Mortgage Rate and shall be payable forthwith, and in default of payment for five (5) Business Days following receipt by the Chargor of notice in writing from the Chargee shall constitute an Event of Default herein.

**Section 2.06 Performance by Chargee.** If the Chargor shall fail to perform any covenant on its part herein contained following the occurrence and during the continuance of an Event of Default, the Chargee may, in its sole, absolute and unfettered discretion, but shall not be obligated to, perform such covenant capable of being performed by it and, if such covenant requires the payment or expenditure of money, it may make such payment or expenditure with its own funds, acting reasonably, but shall be under no obligation to do so; and all such payments and expenditures shall be at once payable by the Chargor and shall bear interest at the Mortgage Rate, and shall be secured hereby, but no such performance or payment shall be deemed to relieve the Chargor from any Event of Default hereunder.

**Section 2.07 Payment by Electronic Funds Transfer.** All payments due under this Charge shall be made by the Chargor by electronic funds transfer from a bank account established and maintained by the Chargor for such purpose. The Chargor shall establish and maintain such an account until all amounts secured hereunder are fully paid.

### ARTICLE 3 - CHARGOR'S COVENANTS AND REPRESENTATIONS AND WARRANTIES

**Section 3.01 Covenants.** The Chargor hereby covenants:

- (a) **Payment.** to pay or cause to be paid to the Chargee all sums payable hereunder on the days, at the times and in the manner provided for in this Charge;
- (b) **Performance of Other Obligations.** to perform and comply with all other covenants, conditions and prohibitions required of the Chargor by the terms of the Loan Documents;
- (c) **Performance under Encumbrances.** to perform all of its obligations under the Permitted Encumbrances, the Leases and the Unregistered Agreements;
- (d) **Maintenance and Repair of Charged Premises.** to repair or cause to be repaired and keep or cause to be kept in good order and repair the Charged Premises from time to time in accordance with the standards of a prudent owner of similar real property in the circumstances; complete or cause the prompt and reasonable completion of all Buildings which are at any time in the process of construction; maintain access to and supply for the Charged Premises of all public utility services (including, without limitation, water supply, storm and sanitary sewer facilities, and natural gas, electric, telephone and cable television services) necessary or desirable for the operation of the Charged Premises for its intended purposes; and shall at all reasonable times, during business hours and upon not less than 48 hours prior written notice, but subject to the provisions of the Leases and the rights of the tenants thereunder, to allow the Chargee and its duly authorized representatives access to the Charged Premises in order to view the state and condition thereof;
- (e) **Leases.** to timely pay and perform, in all material respects, its obligations under the Leases, and pay such sums and take such commercially reasonable action as shall be necessary or required in order to maintain each of the Leases in full force and effect in accordance with its terms; to provide to the Chargee within 45 days following the end of each fiscal year of the Chargor and otherwise upon reasonable demand therefor, copies of all new Leases, amendments thereof and agreements regarding Lease termination, surrender or assignment entered into by the Chargor subsequent to the date hereof, together with a rent roll with the names of each tenant, rental area, term and rent (basic rent, additional rent and percentage rent) and details of any monetary defaults which are continuing; to promptly furnish to the Chargor copies of all notices given to the Chargor by the tenant under any Lease, alleging landlord default, extending the term of any Lease, requiring or demanding the expenditure of any sum by the Chargor, demanding the taking of any action by the Chargor or relating to any other material obligation of the Chargor under such Lease and all subsequent communications in connection therewith; the Chargee may, in its sole, absolute and unfettered discretion, advance any sum or take any action necessary to maintain the Leases in full force and effect, and all sums advanced

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and costs and expenses incurred by the Chargee in connection therewith shall be due and payable, upon demand, shall bear interest at the Mortgage Rate and shall be fully secured hereunder;

- (f) **Payment of Claims Against Charged Premises.** to pay or cause to be paid, as and when the same become due and payable, all liens, charges, encumbrances and claims which are or may become charges or claims against the Charged Premises, or any part thereof including, without limitation, all bills or accounts relating to the supply of public utility services and other services of a similar nature; the Chargee is hereby authorized by the Chargor to obtain from all suppliers of services and from all other fiscal/governmental authorities, any information which such suppliers or authorities may have with respect to the Charged Premises and the amounts which may be due or owing by the Chargor to any of them;
- (g) **Parking.** to provide, or cause to be provided, from time to time and at all times in, on or upon the Charged Premises sufficient parking to comply with all requirements of all laws, regulations and by-laws regulating parking (including any parking which constitutes a legal non-conforming use pursuant to such laws and/or by-laws), together with such additional parking spaces as may be required under any Leases or other agreements to which the Chargor is bound;
- (h) **Condominium.** not to register or cause to be registered the Charged Premises pursuant to the *Condominium Act* (Ontario);
- (i) **Information.** to forthwith provide to the Chargee all information and documentation pertaining to the Charged Premises reasonably requested by the Chargee from time to time (including, without limitation, evidence of payment of Taxes, insurance premiums and debts which, with the passage of time, could constitute a lien against the Charged Premises);
- (j) **Claims of Invalidity.** not to take any step, action or proceeding or make any claim which denies, impairs, delays, diminishes or challenges the binding nature, validity and/or enforceability of this Charge and/or other Loan Documents;
- (k) **Oppose Claims Against Charged Premises.** to diligently oppose all material claims against the Chargor and/or the Charged Premises and to diligently prosecute all claims initiated by the Chargor;
- (l) **Books of Account and Records.** to keep and maintain proper books of account and records accurately covering all aspects of the business and affairs of the Chargor relating to the Charged Premises and to make available from time to time, upon reasonable notice and during regular business hours, all of such records and books of account in connection with the Charged Premises; upon request, the Chargor shall deliver to the Chargee copies of all plans, specifications and drawings (including as-built plans and working drawings and other specifications) relating to the Charged Premises and all improvements thereon which are in the possession or control of the Chargor together with all related architectural, structural, electrical and mechanical drawings which are in the possession or control of the Chargor;
- (m) **Management.** to manage or cause to be managed the Charged Premises as would a prudent owner of similar real property, with a view to preserving and protecting the Charged Premises and the revenues and profits therefrom;
- (n) **Property Manager.** cause the Charged Premises to be managed by the Property Manager pursuant to a property management agreement and all amendments thereof approved by the Chargee, acting reasonably; no management fee shall be paid to a manager of the Charged Premises which exceeds the market rate without the prior written authorization of the Chargee, acting reasonably;
- (o) **Death of Individual Guarantor.** within thirty (30) days after the death of an individual Guarantor, notify the Chargee in writing of such death and provide to the Chargee the names and current financial statements of one or more substitute guarantors acceptable to the Chargee, acting reasonably, whose net worth and financial condition, as determined by the Chargee, acting reasonably, is equal to or greater than that of the deceased

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Guarantor; within sixty (60) days after the death of the individual Guarantor, the substitute guarantor(s) shall: (i) deliver to the Chargee the financial reports and statements required in Section 3.04 hereof and in the Guarantee; and (ii) execute and deliver to the Chargee a guarantee and an environmental indemnity in substantially the same form as the Guarantee and Environmental Indemnity and such other instruments as the Chargee may request, acting reasonably; and

- (p) **Possession upon Event of Default.** that, from and after the occurrence of an Event of Default which is continuing, subject to the provisions of Article 7, the Chargee shall be lawfully entitled to peaceably and quietly enter into, have, hold, use, occupy, possess and enjoy the Charged Premises without hindrance, interruption or denial by the Chargor or any other Person, subject only to the Leases and the rights of the tenants thereunder and the Permitted Encumbrances.

**Section 3.02 Representations and Warranties.** The Chargor hereby represents and warrants that:

- (a) **Title.** at the time of the execution and delivery of this Charge, the Chargor is the sole legal owner of the Charged Premises, with good and marketable title thereto, free and clear of all liens, charges, encumbrances, easements, restrictions, trusts, reservations, limitations, provisos and conditions whatsoever, except the Permitted Encumbrances;
- (b) **Encumbrances.** it has not previously assigned, charged or encumbered in any manner the Charged Premises, except for the Permitted Encumbrances;
- (c) **Authority.** it is duly organized, validly existing and in good standing pursuant to the relevant laws and has good right, full power and lawful authority to charge the Charged Premises in favour of the Chargee as contemplated hereunder, conduct its business, own its property (including the Charged Premises), comply with its obligations hereunder and pursuant to the Security and that, except as provided by the Chargor prior to any advance hereunder, no consents or approvals are required in connection with the execution, delivery, registration and enforcement of this Charge and related Security pursuant to the Permitted Encumbrances and/or the Unregistered Agreements;
- (d) **Impairment of Title.** at the time of the execution and delivery of this Charge, it has not committed, executed or willfully or knowingly suffered any act, deed, matter or thing whatsoever whereby or by means whereof the Charged Premises, or any part thereof, is or shall or may be in any way impaired, charged, affected or encumbered in title, estate or otherwise, except for the Permitted Encumbrances;
- (e) **Compliance with Law.** except as previously disclosed in writing to the Chargee and to the best of its knowledge, information and belief, after making due inquiry, that the Charged Premises comply in all material respects with all laws, statutes, regulations, ordinances, orders, directives and any other instrument having the force of law including, without limitation, all applicable building, zoning, planning, development, construction, construction lien, environmental, fire code, occupation and land use laws; to the best of its knowledge, information and belief, after making due inquiry, that the Charged Premises are being used for retail and office purposes only;
- (f) **Disclosure.** to the best of its knowledge, information and belief, after making due inquiry, all material information pertaining to the market value and operation of the Charged Premises and the Chargor's financial condition is true and accurate and has been fully disclosed in writing to the Chargee; that there is no legal action or other proceedings instituted, pending or threatened or judgment or order issued, against the Chargor and/or the Charged Premises nor any part thereof which would have a material adverse effect on the Charged Premises or the Security; that the Chargor has received no notice of any material work orders, deficiency notices or notices of violation pertaining to the Charged Premises or any part thereof; to the best of its knowledge and belief, that the Buildings and all other structures located on the Lands have been built in accordance with plans and specifications approved by all required municipal authorities, in a good and workmanlike manner and do not contain urea formaldehyde foam insulation, polychlorinated biphenyls or asbestos, in any form;

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- (g) **No Construction Financing.** the Principal Sum is not intended to be utilized for the purposes of securing the financing of any improvements whatsoever with regard to the Charged Premises, nor for the purposes of repaying any financing, charge or otherwise which was utilized or intended to be utilized for the financing of any improvements with regard to the Charged Premises, and accordingly, it is not the intention for the security to be taken hereunder to be a "Building Mortgage", as contemplated in Subsection 78(2) of the *Construction Lien Act* (Ontario), or a charge taken out to repay such a "Building Mortgage";
- (h) **Accuracy of Deliveries.** all materials, agreements, documents, plans, drawings and written information relating to the Charged Premises and/or the Chargor and delivered to the Chargee up to and including the date hereof in connection with this Charge are, to the best of the Chargor's knowledge, information and belief, after due inquiry, complete and accurate in all respects;
- (i) **No Claims.** to the best of its knowledge, information and belief, after making due inquiry, it has not received notice of and is not otherwise aware of any claim by a third party against the Chargor and/or the Charged Premises except as disclosed to the Chargee prior to the date hereof;
- (j) **No Default or Event of Default.** no Default and/or Event of Default has occurred and is continuing;
- (k) **Residency.** it is not now and at all times prior to the Maturity Date it will not be a non-resident of Canada within the meaning of the *Income Tax Act* (Canada);
- (l) **Leases.** except as set out in the Leases or as disclosed by the Chargor to the Chargee prior to the date hereof, all tenants under existing Leases as of the date hereof are occupying their premises in the Charged Premises pursuant to an arm's-length, executed, fully net lease, are paying rent as required under their respective Leases (without any future rent-free periods), are not claiming any deduction or set-off from the rent payable (without future tenant improvement allowance payments or landlord improvement obligations), have not prepaid more than two (2) months' rent, are in occupancy and operating their business and have accepted the state and condition of their respective leased space; and
- (m) **Designated/Blocked Person.** none of the Chargor, the Guarantor, a Related Entity of the Chargor or a Related Entity of the Guarantor is: (i) a designated/blocked Person by the United States Treasury; or (ii) an agent for or Controlled by a designated/blocked Person; or (iii) a Person, entity, foreign country or regime subject to or in violation of United States sanctions; or (iv) charged with, convicted of or incurred civil penalties or seizure or forfeiture for United States money laundering, drug trafficking, terrorist-related activities or economic sanctions.

The Chargor represents and warrants that the representations and warranties set out in this Charge are true and correct as at the date hereof and covenants and agrees that such representations and warranties will continue to be true and correct until repayment of all amounts secured hereunder. For greater certainty, such representations and warranties shall be deemed to be repeated on each day during the term of the Loan until repayment of all such amounts.

**Section 3.03 No Approval or Release.** Acceptance by the Chargee of payments from any transferee of the Charged Premises or any interest therein and not approved by the Chargee in accordance with this Charge, shall not be deemed to constitute the Chargee's approval or acceptance of such transferee. Furthermore, the Chargee's approval or consent to any Transfer of the Charged Premises or any interest therein shall not release or otherwise affect the liability of the Chargor hereunder to pay all sums secured hereby or affect the application of this Section 3.03 to all further approved Transfers.

**Section 3.04 Financial Statements etc.** The Chargor shall furnish or cause to be furnished to the Chargee, not later than one hundred and twenty (120) days following the relevant fiscal year, the following:

- (a) audited financial statements in respect of the Chargor, prepared by a firm of chartered accountant(s) in accordance with generally accepted accounting principles, consistent

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with previous years and including all appropriate documents, explanatory notes and additional information;

- (b) certified financial statements in respect of each of the parties comprising the Guarantor, prepared by a firm of chartered accountant(s) in accordance with generally accepted accounting principles, consistent with previous years and including all appropriate documents, explanatory notes and additional information; and
- (c) a copy of the most recent year-end rent roll for the Buildings, a copy of the operating statement for the Buildings, a tenant arrears report for the current fiscal year, a budget for the current fiscal year, and detail of capital expenditures for the previous year and a capital budget for the ensuing fiscal year.

In addition, the Chargor shall supply or cause to be supplied to the Chargee: (i) within 45 days following the end of each calendar quarter during the term of this Charge, a copy of a tax receipt or other independent verification of payment of Taxes for the Lands; (ii) within thirty (30) days following each calendar quarter and year-end, (A) a certified rent roll for the Charged Premises signed and dated by the Chargor as of the last day of the preceding calendar quarter identifying all of the Leases by tenant, term, renewal options, space occupied, rents and charges required to be paid, and (B) monthly and year-to-date operating statements for the Charged Premises (including comparables to the relevant budget and the previous year), which shall include an itemization of actual capital expenditures during applicable periods, prepared in accordance with generally accepted accounting principles, consistently applied; (iii) immediate notification of the occurrence of any Default or Event of Default; (iv) notification of any material damage or destruction to the Charged Premises immediately following the occurrence of such damage or destruction; (v) immediate notification of any material default under a Lease, (vi) from time to time, upon reasonable request, any further financial information then still undisclosed, pertaining to the Chargor, each of the parties comprising the Guarantor and/or the Charged Premises; and (vii) such documentation and information, including identification, as the Chargee may require to ensure compliance with the principles of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) legislation.

The Chargor shall provide the Chargee, upon request of the Chargee, acting reasonably, with a certificate of an officer of the Chargor or other reasonable evidence confirming compliance by the Chargor with all statutory requirements for the collection and remittance of goods and services or harmonized sales tax, provincial sales taxes, payroll deductions and all other amounts which can form a lien in priority to the Security, for any and all periods covered by the above-described financial statements.

The Chargee reserves the right to disclose to third parties, financial information provided to the Chargee in connection with the Loan, provided that such right shall be limited to potential assignees of part or all of the Charge, the Chargee's auditors, the Chargee's solicitors, the Chargee's bankers, the Chargee's accountants, the Chargee's other advisers, rating agencies, investors and Persons to whom/which such information is ordinarily disclosed by the Chargee pursuant to its disclosure policy. For those parties reviewing information which is more extensive than that which may be disclosed publicly in a prospectus for mortgage securitization purposes, the Chargee shall ensure that the parties having access to such information sign confidentiality agreements.

In addition, at all times, the Chargee may disclose, privately or publicly, the name of the Chargor, the name of the Chargor's affiliates, the name and nature of the project, if any, located on the Charged Premises and the amount of the outstanding balance of loan secured by this Charge, and the Chargor irrevocably waives all rights it may have to prohibit such disclosure including, without limitation, any right of privacy.

The Chargor and Guarantor may disclose to third parties information concerning the Loan, provided that such right shall be limited to their auditors, solicitors, bankers, accountants and other advisors. For those parties reviewing information which is more extensive than that disclosed in the Land Registry Office, the Chargor and Guarantor shall ensure that the parties having access to such information sign confidentiality agreements.

**Section 3.05 Further Assurances.** Notwithstanding the execution, delivery and/or registration of this Charge and/or the advance of funds hereunder, the Chargee reserves the right to require and the Chargor covenants to provide to the Chargee such additional security instruments

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(including specific assignments of Leases), assurances and support documents as the Chargee may, from time to time, acting reasonably, deem necessary or advisable to give effect to this Charge and the transaction contemplated hereby.

#### ARTICLE 4 – CHARGOR'S NEGATIVE COVENANTS

**Section 4.01 Negative Covenants.** The Chargor hereby covenants:

- (a) **Waste.** not to permit waste to be committed or suffered on the Charged Premises and not to remove or attempt to remove the Buildings, or any part thereof, from the Lands (other than tenant's improvements removable by a tenant in accordance with its Lease or as contemplated in Section 4.01(b), Section 4.01(f) or Section 5.05(e)) and to refrain from doing anything or allowing anything to be done which would result in a material impairment or diminution of the market value of the Charged Premises and to operate the Charged Premises at all times in accordance, in all material respects, with all applicable laws and ordinances, whether municipal, county, provincial or federal, including compliance in all material respects with any legislation and regulation in respect of the accommodation of handicapped persons and environmental protection, to the extent applicable to the Charged Premises;
- (b) **Alterations.** except as otherwise provided in the Leases or in another Loan Document, not to undertake any material change, expansion or alteration of the Buildings or access thereto without the prior written approval of the Chargee, which approval shall not be unreasonably withheld or delayed; and, in connection with any such material change, expansion or alteration of the Buildings and all other supplies of materials and services to the Charged Premises, to comply in all respects with the provisions of the *Construction Lien Act* (Ontario) and to vacate or discharge any construction, repairer's or other lien filed against all or any part of the Charged Premises within ten (10) Business Days following the date on which the Chargor receives notice thereof; upon request, to provide the Chargee with reasonable evidence of its compliance with such legislation;
- (c) **Encumbrances.** except as otherwise expressly permitted under this Charge and except for Permitted Encumbrances, not to charge or otherwise encumber the Charged Premises nor to permit, allow or suffer the Charged Premises or any part thereof or interest therein or any interest, direct or indirect, in the Chargor, to be pledged, charged or otherwise encumbered in favour of any other creditor without the prior written consent of the Chargee, which may be withheld in the Chargee's sole, absolute and unfettered discretion;

notwithstanding any other provision contained in this Charge, the Property may be mortgaged (an "Equity Mortgage") in favour of one or more shareholders in the capital of one or both of the Beneficial Owners, subject to the following:

- (i) the shareholder shall own (as registered and beneficial owner) not less than 51% of the capital in the relevant Beneficial Owner(s);
- (ii) the Equity Mortgage shall, at all times, be subordinated and postponed in favour of this Charge;
- (iii) all amounts received pursuant to the Equity Mortgage (which shall include all dividends and other funds received as shareholders of the Beneficial Owners after the occurrence of an Event of Default which is continuing) shall be received, in trust, for the Chargee pursuant to this Charge, until this Charge is fully paid and discharged;
- (iv) the Equity Mortgage lender shall be entitled to receive notice of an Event of Default and an opportunity to rectify, but doing so shall not entitle the Equity Mortgage lender to benefit from, hold and/or enforce any rights pursuant to this Charge;
- (v) in the event of an Equity Mortgage default, the Equity Mortgage lender shall not exercise any remedy unless this Charge has first been fully paid, satisfied and discharged or unless the Chargee, in its sole, absolute and unfettered discretion, authorizes such exercise;

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- (vi) until this Charge has been fully paid, satisfied and discharged, the Equity Mortgage lender may not assign or otherwise convey part or all of its interest in the Equity Mortgage; and
  - (vii) in the event of a Borrower bankruptcy/insolvency, the Chargee shall act as the Equity Mortgage lender's agent in all voting and related matters.
- (d) **Transfers.** except as otherwise expressly permitted under this Charge, or except with the prior written approval of the Chargee, which may be withheld in its sole, absolute and unfettered discretion, not to:
- (i) sell, assign, convey, transfer, lease in its entirety or otherwise dispose of legal ownership or title to the Charged Premises or any part thereof or interest therein; or
  - (ii) permit any changes of beneficial ownership of the Charged Premises
- (each of the above being a "Transfer");

notwithstanding any other provision contained in this Charge, the Chargor's failure to comply with or the occurrence of one or both of the above shall constitute an Event of Default for which all rectification periods therefor shall be deemed to have passed/expired and the Chargee may, in its sole, absolute and unfettered discretion, demand immediate repayment of the Loan and this Charge, in full, together with all accrued interest and all other amounts secured hereby; in either of the events above, the Chargee may, in its sole, absolute and unfettered discretion, deny such consent or may require as one of the terms for giving consent that the purchaser/transferee shall execute an assumption agreement in favour of the Chargee by which it shall agree to be bound by this Charge and all of the related Security and Loan Documents (to the extent applicable);

notwithstanding the above, the Chargor shall be permitted to effect a Transfer without the consent of the Chargee, provided that such Transfer (i) occurs between Related Entities, or (ii) results from the amalgamation or merger of the Chargor with a Related Entity; and

further, notwithstanding the above, provided that no Transfer, individually or collectively, has more than a de minimus adverse effect on the value of the remainder of the Lands, the consent of the Chargee shall also not be required to any conveyance by the Chargor to any municipality, region or province (or any government agency thereof), or to any conservation authority or water resources commission, or to any public or private utility, including, without limitation, any one-foot reserves, parklands, walkways, road widenings or roads, that are completed by the Chargor, acting reasonably, and the Chargee shall grant a partial discharge of this Charge in respect of any of the foregoing;

- (e) **Change of Control.** except as otherwise expressly provided hereunder, not to make or permit to be made any changes to its capital structure or constating documents which would result in a change of Control, without the prior written consent of the Chargee (which consent may be withheld in the Chargee's sole, absolute and unfettered discretion); and
- (f) **Transfer or Removal of Personal Property.** not to remove or destroy and not to permit to be removed or destroyed any of the personal property which is owned by the Chargor and is located at the Charged Premises, without the prior written approval of the Chargee, such approval not to be unreasonably withheld or delayed; provided approval shall not be required and nothing herein shall prevent the removal of any such personal property in the ordinary course of the Chargor's business or from one part of the Charged Premises to another or the temporary removal of any such personal property for purposes of repair; and provided further that the Chargor may remove, dismantle, sell, exchange or otherwise dispose of any personal property which has become obsolete, worn out, unserviceable or unnecessary for use in the conduct of the business on the Charged Premises if such personal property is replaced by personal property of at least equal value or if such personal property so dealt with in one transaction and not so replaced does not materially adversely affect the value of the Charged Premises by its removal.

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**Section 4.02 Permitted Transfers of Chargor Shares.** Notwithstanding Section 4.01 hereof, and provided that the Transfer Conditions are satisfied at the time of each permitted transfer, up to 25% in the aggregate of: (a) the outstanding shares in the capital of the Chargor; and (b) registered/beneficial title in the Charged Premises, may be transferred during the term of the Loan without the Chargee's consent.

**Section 4.03 Permitted Transfers - Beneficial Ownership of Charged Premises.** Notwithstanding Section 4.01 hereof and all other provisions of this Agreement, the Beneficial Owners may transfer their beneficial interest therein or any part thereof once during the term of the Loan without the Chargee's consent, provided that the following conditions are then satisfied: (a) no Default or Event of Default shall have occurred; (b) the Chargor shall have paid to the Chargee an assumption fee of one per cent (1%) of the then outstanding Obligations Secured; (c) the Chargee shall have received and had a reasonable opportunity to review and approve acting reasonably all organizational documentation of the proposed transferee including, without limitation, articles of incorporation, partnership and operating agreements, bylaws, certificates of good standing and authorizing resolutions and to review and approve all other documents and agreements relating to the proposed transfer; (d) the non-economic terms (being those terms other than interest rate, payment schedule, principal balance and non-recourse nature) of the Loan Documents shall have been modified as the Chargee shall have requested, acting reasonably; (e) the proposed transferee shall have assumed all of the Chargor's obligations under the Loan Documents; (f) the Chargee shall have received not less than thirty (30) days' prior written notice of the proposed transfer; (g) the proposed transferee (including, if applicable, its general partners) shall have, as determined by the Chargee, acting reasonably, a net worth equal to that of the Chargor as of the date hereof or otherwise satisfactory to the Chargee and a satisfactory history of owning, operating and leasing property similar to the Property; (h) the proposed transferee (including, if applicable, its general partners) shall have, as determined by the Chargee, acting reasonably, a satisfactory credit history and professional reputation; (i) the DSCR shall not be less than 1.50 and the Chargee shall have received satisfactory evidence that such ratio will be maintained for the following twelve (12) month period; (j) the Loan-to-Value Ratio shall not exceed 65%; (k) the Chargor shall pay all costs, fees and expenses incurred by the Chargee in connection with such transfer including, without limitation, all legal (being fees and disbursements on a substantial indemnity basis), processing, accounting, title insurance and appraisal fees, whether or not such transfer is consummated; (l) the principals of the proposed transferee (which transferee is acceptable to the Chargee in its sole, absolute and unfettered discretion) shall have executed and delivered a guarantee agreement in the form of the Guarantee and an environmental indemnity in the form of the Environmental Indemnity; (m) the proposed transferee's counsel shall have delivered to the Chargee a corporate existence, authority, due execution and enforceability opinion regarding the Loan Documents and the proposed transferee's assumption thereof; (n) the proposed transferee and its Related Entities shall not be in violation of any laws relating to terrorism or money laundering including, without limitation, *Executive Order No. 13224* on Terrorist Financing, *Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism*, the *Bank Secrecy Act* and the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (as such laws have been or may hereafter be, renewed, extended, amended or replaced); (p) the transfer documents and post-transfer co-ownership and management documentation shall have been approved by the Chargee, acting reasonably. Upon satisfaction of the foregoing conditions and the execution of all documentation satisfactory to the Chargee, the Chargee shall release the Chargor and the Guarantor from all liability under the Loan Documents except liability that arose prior to the effective date of the assumption.

#### ARTICLE 5 - TAXES AND INSURANCE

**Section 5.01 Taxes.** It is agreed with respect to Taxes that:

- (a) the Chargor shall remit to the Chargee in addition to and at the same time(s) and in the same manner as the amounts payable pursuant to Section 2.04 hereof, monthly instalments for Taxes in an amount determined from time to time by the Chargee, to be sufficient to allow the Chargee to accumulate in a reserve fund all amounts necessary for the full payment of all Taxes affecting the Charged Premises or the Lands on the date such Taxes become due; the sums thereby accumulated shall bear interest at a rate which is equivalent to one half of the Bank of Canada Discount Rate quoted on the first day of each and every month, calculated on the monthly minimum balance accumulated in such



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reserve fund and which interest shall be credited to the Chargor every month; all sums accumulated in such reserve fund, including interest thereon, shall be held as security for the obligations secured hereby; so long as the Chargor is not in default under this Charge or any additional security held by the Chargee from time to time, the Chargee shall apply the funds in the reserve and all monthly tax instalments paid by the Chargor towards the payment of Taxes as they fall due or at such earlier date as the Chargee deems appropriate; the Chargee shall not be responsible for any late payment of Taxes and any penalties or interest charged by the taxing authority as a result thereof;

- (b) the Chargee reserves the right to adjust from time to time the estimated monthly Tax amount based on the Taxes actually levied against the Charged Premises and the Lands; the Chargor shall transmit to the Chargee all Tax bills and other notices relative to the imposition of Taxes on the Charged Premises and the Lands forthwith after receipt thereof;
- (c) any debit balance from time to time in the reserve fund shall bear interest at the Mortgage Rate and such obligations (to pay the debit balance and corresponding interest) shall be secured by this Charge;
- (d) the above-described debit balance and corresponding interest shall be payable by the Chargor on the earlier of demand by the Chargee and the date on which the next payment of principal and interest pursuant to Section 2.04 hereof shall become due;
- (e) when making advances from time to time of the Principal Sum or any part thereof, the Chargee may, and is hereby authorized and directed to, deduct and pay out of any such advances any amount that shall have become due and payable with respect to Taxes;
- (f) the Chargor hereby expressly authorizes the Chargee to request and obtain from any and all competent authorities all information relating to Taxes;
- (g) upon the occurrence of an Event of Default that is continuing, the Chargee shall have the right to set off any amount accumulated in any tax reserve against any amount due to the Chargee under this Charge; and
- (h) notwithstanding any other provision of this Charge, so long as the Chargor and the Charged Premises are enrolled in the municipal tax instalment payment plan, then the Chargor shall not be required to make monthly instalments for Taxes (as in Subsection 5.01(a) above) until after the occurrence of a Default or an Event of Default.

**Section 5.02 Insurance Coverage.** The Chargor shall obtain and maintain with respect to the Charged Premises during the entire period that any of the Principal Sum, interest and/or other charges secured hereunder shall remain outstanding:

- (a) a broad form "all risks" insurance policy, including flood, earthquake, sewage back-up discharge, windstorm, tsunami, pollution coverage, terrorism and all other risks and perils that are customarily included in such policies, without having an exclusion for riot, containing the coverage contemplated in paragraph (d) below, if such coverage is not offered in a separate insurance policy, for an amount equal to the Replacement Cost of all buildings and improvements installed on the Lands with a "stated amount" clause (such Replacement Cost with a "stated amount" shall be deemed not to be less than the amount of the Loan), the whole to the satisfaction of the Chargee, acting reasonably; covers incidental renovation, repairs and additions to the Charged Premises; the proceeds payable under such policy shall be payable to the Chargee as first-ranking mortgage creditor, pursuant to a standard, non-reporting, non-contributing mortgage clause approved by the Insurance Bureau of Canada;
- (b) a boiler and machinery insurance policy covering all losses and damages caused by (i) explosion/breakdown of boilers, of pressure vessels, of the air conditioning/heating/ventilation equipment, including electrical and mechanical equipment and installations, and (ii) the leakages of the fire protection system including sprinklers, the whole for an amount equal to the Replacement Cost of all buildings and improvements installed on the Lands; such policy shall include rental income (business interruption) insurance mentioned below if such coverage is not offered in a separate insurance policy and shall contain a standard mortgage clause approved by the Canadian Boiler and Machinery

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Underwriters Association, with proceeds payable thereunder to the Chargee as first-ranking mortgage creditor; if the "all risks" insurance policy and the boiler and machinery insurance policy are not covered by a single policy, then each policy shall contain a joint loss agreement between the two policies;

- (c) general liability insurance covering damages and injury arising at the Lands or in the vicinity of the Lands, in an amount satisfactory to the Chargee, acting reasonably, but in any event not less than \$6,250,000.00 per annum (or \$25,000,000.00 per annum, as part of a blanket policy); the Chargee will be added as an additional insured to such policy; the Chargor covenants to cause all contractors, subcontractors and other service providers working or providing services on the Charged Premises to maintain commercial general liability insurance of not less than \$1,250,000.00 per occurrence and to maintain all insurance for employees required under law;
- (d) rental income insurance in an amount of not less than one hundred per cent (100%) of the gross annual rents (or the net annual rents plus operating costs) for a period of twelve (12) months; the proceeds payable under such policy shall be payable to the Chargee as first-ranking mortgage creditor;
- (e) stand alone builder's risk policy for "ground-up" construction and major renovations (otherwise such coverage may be an extension of the "all risks" policy, limited to minor renovations); and
- (f) all required insurance shall be issued by insurance companies approved by the Chargee, acting reasonably; the insurance companies must each have a rating of not less than AX in Best's Key Rating Guide, be licenced/authorized to provide insurance in the Province of Ontario and be in good standing thereunder; the deductible under each policy may not exceed the sum of \$31,250.00 unless required under law, approved by the Chargee or related to specific catastrophic perils; none of the above coverage may be adversely effected by any act, error or omission of the Chargor.

**Section 5.03 Additional Insurance Requirements.** The insurance policies referred to in Section 5.02 shall also be subject to the following terms and conditions or as may otherwise be approved by the Chargee:

- (a) no co-insurance is permitted;
- (b) replacement cost wording which will not restrict replacement to the "same or adjacent site" (or deletion from the policy of any provision requiring same);
- (c) by-laws extension providing additional cost of reconstruction or demolition of the undamaged portion of the Charged Premises and resultant loss of income resulting from the enforcement of then current building by-laws and regulations;
- (d) save for the general liability insurance policy identified in Section 5.02(c), each policy shall contain a waiver by the insurer of all rights of subrogation or indemnity against the Chargee and each policy shall contain a breach of conditions clause;
- (e) the general liability insurance policy identified in Section 5.02(c) above shall contain a cross-liability clause and a severability of interests clause;
- (f) each policy must specify the Charged Premises as an insured location and that the relevant coverage is not contributory, participatory or constitute excess coverage without the Chargee's prior written consent (in its sole, absolute and unfettered discretion);
- (g) a re-insurance "cut-through" provision may be required, at the Chargee's option (in its sole, absolute and unfettered discretion); and
- (h) if any policies are subject to exhaustion of limits after a loss, then Chargor shall use reasonable commercial efforts to obtain the right to have the coverage and policy limits reinstated to amounts not less than those set out in Subsections 5.02(a) and (b) above.

**Section 5.04 Additional Insurance Coverage Upon Request.** In addition to the insurance which the Chargor is required to maintain pursuant to Section 5.02, the Chargee shall be entitled

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to require coverage from time to time with respect to the Charged Premises and the Lands for such other risks and perils, in such amounts and in such form or forms of insurance that the Chargee or its advisors consider to be reasonable and prudent and which coverage is reasonably commercially available and typical of coverage purchased by owners of similar type buildings in the City.

**Section 5.05 Insurance Covenants.**

- (a) The Chargor shall duly and punctually pay or cause to be paid all premiums and other sums of money payable for maintaining all insurance required to be obtained and maintained pursuant to Section 5.02 and Section 5.04, shall cause the Chargee to be added to the policies of insurance required in Section 5.02 (save and except Section 5.02(c)) and Section 5.04 as "first mortgagee and loss payee" as its interest may appear pursuant to an Insurance Bureau of Canada approved mortgage clause and shall cause the Chargee to be added to the policies of insurance required under Section 5.02(c) as an "additional insured with respect to claims arising out of the operations of the insured". Upon the occurrence of loss or damage to the Charged Premises or the Lands or any other property forming part of the security of the Chargee, the Chargor agrees to supply all proof of loss and take all necessary measures in order that the Chargee may receive the indemnities payable under each of the policies covering the loss. Upon the occurrence of a Default or Event of Default, the Chargee may require that the Chargor remit to the Chargee in addition to and at the same time(s) and in the same manner as the amounts payable pursuant to Section 2.04 hereof, monthly instalments for insurance policy premiums in an amount determined by the Chargee, to be sufficient to allow the Chargee to accumulate in a reserve fund (which fund shall be governed by the same rules as the reserve fund hereunder for Taxes) all amounts necessary for the full payment of all insurance policy premiums affecting the Charged Premises on the date such insurance policy premiums become due.
- (b) Every policy of insurance shall be effected on such terms and with such insurers as may be approved by the Chargee, which approval shall not be unreasonably withheld or delayed. In addition, each policy of insurance contemplated hereunder shall require not less than fifteen (15) days' prior written notice to the Chargee of any cancellation, material alteration or non-renewal thereof (not less than ten (10) days if the cancellation etc. is attributable to the failure to pay insurance policy premiums).
- (c) In the event of failure on the part of the Chargor to maintain or cause to be maintained any insurance required by Section 5.02 and/or Section 5.04, the Chargee may effect such insurance and the Chargor covenants to repay to the Chargee all of the premiums paid by the Chargee, the amount thereof to be added to the Principal Sum, to bear interest at the Mortgage Rate from the time of payment by the Chargee and to be payable at the time of the then next ensuing monthly payment of interest, or interest and principal, pursuant to Section 2.04.
- (d) The Chargor shall deposit with the Chargee (whether or not a request has been made) certificates of insurance evidencing the insurance required hereunder. The Chargor shall maintain the original copies of all such policies at the Chargor's address according to Section 13.01 and the Chargee or its authorized representatives shall be entitled during normal business hours upon prior written notice to have access thereto for the purpose of reviewing such policies and making extracts therefrom or copies thereof. The Chargor shall, without request, provide the Chargee with renewal or replacement certificates prior to the expiry or cancellation of any policy. The Chargor hereby authorizes the Chargee to communicate directly with any insurer, broker, agent, underwriter, adjuster or other Person in relation to the insurance required to be maintained by the Chargor and to request and obtain any information or documentation pertaining thereto, it being understood that the Chargee shall be under no obligation to do so.
- (e) All proceeds of insurance (from insurance policies) above the sum of \$200,000.00, other than liability insurance, shall be paid to the Chargee directly and, at the option of the Chargee, in its sole, absolute and unfettered discretion, may either be applied on account of the Loan indebtedness, whether or not the same may be due and payable, and interest thereon and any other sums payable in respect thereof, or held by it as part of the Security and, so long as there is then no Event of Default which is continuing, may be subject to

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withdrawal by the Chargor in instalments, on a cost to complete basis, as the repair or replacement progresses, subject to the Chargee's receipt of appropriate certificates, opinions and other documents which may include, without limitation, cost consultant reports, evidence of payment to suppliers and contractors, as required by the Chargee, provided that:

- (i) the proceeds of insurance together with other funds held or arranged by the Chargor will be sufficient to pay the work required for the reconstruction or repair of the Charged Premises (the "required works"), the whole in accordance with plans and specifications and a construction budget and construction schedule approved by the Chargee, acting reasonably, after having received written advice by an architect acceptable to the Chargee, acting reasonably;
- (ii) the required work will start as soon as practical after the casualty and shall be completed diligently;
- (iii) except as otherwise provided in the Leases, all Leases then in place (or replacement Leases satisfactory to the Chargee, acting reasonably) shall remain in full force and effect for the balance of their term, under the same contractual terms and conditions, following completion of the required work;
- (iv) the cost of such restoration shall not exceed \$25,000.00, and such restoration can be completed, in the Chargee's judgment, acting reasonably, not less than ninety (90) days prior to the Maturity Date; and
- (v) any additional security required by the Chargee to guarantee cost overruns of the required work shall have been obtained by the Chargee.

If any of the conditions above are not fulfilled, the Chargee shall have the right to apply the proceeds of insurance to the payment of the Loan in whole or in part.

**Section 5.06 Chargee's Insurance Expenses.** The Chargor shall pay to the Chargee, on receipt of an invoice therefor, the reasonable out-of-pocket expenses of the Chargee, including legal fees and disbursements on a substantial indemnity basis, with respect to the administration of insurance proceeds.

**Section 5.07 Notice of Damage/Destruction.** The Chargor covenants to provide the Chargee with prompt Notice of all damage/destruction sustained at the Charged Premises. The Chargor covenants and agrees that if during the term hereof the Buildings, or any part or parts thereof, are totally or partially damaged or destroyed by any cause whatsoever, the Chargor shall, promptly after any such damage or destruction, provide the Chargee with written notice thereof.

**Section 5.08 Insurance Proceeds.** Upon receipt of any insurance proceeds the Chargee may, in its sole, absolute and unfettered discretion, either apply such proceeds on account of the indebtedness secured hereunder, whether or not such indebtedness shall then be due and payable, or hold such proceeds as further security for such indebtedness and, so long as no Event of Default shall have occurred and be continuing, permit the Chargor to withdraw the proceeds on a cost-to-complete basis, as the repair/replacement progresses, subject to the Chargee's receipt of such certificates, opinions, cost-consultant reports, proof of payments and lien waivers as shall be required by the Chargee, acting reasonably.

#### ARTICLE 6 - EVENTS OF DEFAULT

**Section 6.01 Events of Default.** In this Charge, "Event of Default" means, without limitation, each and every one of the following events:

- (a) **Failure to Pay.** if the Chargor shall fail to make any payment of the Principal Sum or interest payable hereunder, or any portion thereof or any blended payment thereof or of any other amount due pursuant to this Charge when the same shall become due pursuant to the provisions hereof and such failure shall continue for a period of two (2) Business Days (it being acknowledged that the Chargee shall have no obligation to provide notice of such failure to the Chargor); or

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- (b) **Transfers.** if the Chargor shall transfer, assign or abandon the Charged Premises, any part thereof and/or interest therein, or if a Beneficial Owner shall, directly or indirectly, transfer its beneficial ownership (in whole or in part), except in accordance with the express provisions therefor contained in this Charge or except with the Chargee's prior express written consent (which may be withheld in the Chargee's sole, absolute and unfettered discretion); or
- (c) **Encumbrances.** if the Chargor shall charge or otherwise encumber the Charged Premises, any part thereof and/or interest therein, or shall permit any lien, charge or encumbrance to be issued against the Charged Premises, except for Permitted Encumbrances, except as expressly permitted under this Charge and/or except for any construction lien which is discharged from title within ten (10) Business Days following the date on which the Chargor receives notice thereof; or
- (d) **Failure to Pay Taxes.** if the Chargor shall default in the payment of Taxes when due, in the payment to the Chargee of any amount payable to the Chargee in respect of Taxes under the terms hereof (save and except when the validity thereof is, in good faith, being contested by the Chargor and it has given security for payment thereof in full) and any such default continues either for a period of fifteen (15) days after such payment becomes due or for such shorter period as is necessary to avoid forfeiture or sale; or
- (e) **Failure to Maintain Insurance.** if the Chargor shall default in observing or performing any covenant contained in Article 5 of this Charge and, after notice in writing has been given by the Chargee to the Chargor specifying in reasonable detail such default and requiring the Chargor to rectify same, the Chargor fails to rectify such default within a period of fifteen (15) days; or
- (f) **Bankruptcy/Insolvency.** if the Chargor and/or the Guarantor shall become insolvent or bankrupt or a trustee in bankruptcy shall be appointed in respect of the Chargor and/or the Guarantor; or if the Chargor and/or the Guarantor shall do any act or any other Person shall do any act to dissolve or facilitate the dissolution process in respect of the Chargor and/or the Guarantor; or if the Chargor and/or the Guarantor shall make a general assignment for the benefit of creditors or shall go into liquidation, either voluntarily or under an order of a court of competent jurisdiction, or otherwise acknowledge insolvency, unless, in the case of either an involuntary appointment of a trustee in bankruptcy, a liquidation order or an act to facilitate an involuntary or a voluntary dissolution, the Chargor is contesting such appointment, order or act, in good faith, and such appointment, order or act is quashed or set aside within a period of fifteen (15) days; or
- (g) **Compliance with Laws.** if the Charged Premises shall at any time during the term hereof fail to comply with all applicable building, zoning and other municipal by-laws and all relevant statutes and regulations (save and except any non-compliance which is, in good faith, being contested by the Chargor with the City or other governmental body having jurisdiction, until the final disposition thereof against the Chargor); provided that if, but only if, such default is capable of being remedied and provided also that such default is not caused by the non-payment of money, such default shall not constitute an Event of Default if such default has been remedied within fifteen (15) days after notice thereof has been given in writing to the Chargor; provided further that if:
  - (i) such default does not relate to an obligation the date for performance of which was specified in advance under the Charge or in any additional Security held by the Chargee;
  - (ii) in the opinion of the Chargee, acting reasonably, the Security held by the Chargee and the Chargee's rights and remedies thereunder are not materially adversely affected and the Charged Premises and the market value thereof are not materially adversely affected;
  - (iii) such default is incapable of being remedied within such fifteen (15) day period, despite the diligent efforts of the Chargor; and

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- (iv) the Chargor has commenced to remedy such default promptly upon becoming aware of such default and the Chargor at all times continues to diligently use its reasonable commercial efforts to remedy such default,

the Chargor shall have such further period within which to remedy such default as may be reasonably required in the circumstances (not to exceed a maximum of thirty (30) days); provided that a legal non-conforming use shall be deemed to comply with applicable building, zoning and other municipal by-laws and all relevant statutes and regulations; or

- (h) **Rezoning.** if the Chargor, a representative of the Chargor or any tenant of the Charged Premises applies to rezone the Lands or any part thereof, without the prior written approval of the Chargee, unless in the case of an application by a Person other than the Chargor, the Chargor is diligently contesting such application and such application has not been granted; or
- (i) **Misrepresentation.** if any of the Chargor's representations and warranties contained in this Charge and/or any Security/agreement/certificate now or hereafter given to the Chargee in connection with this Charge (save and except defaults under securities/agreements/certificates which constitute Events of Default under one or more other subsections of this Section 6.01) are untrue or inaccurate when given or made or deemed to have been given, made or repeated and the Chargor fails to remedy such default within fifteen (15) days following receipt of written notice thereof from the Chargee; for purposes of this subsection, statements of fact set out in corporate certificates shall be deemed to be representations and warranties; or
- (j) **Failure to Perform Permitted Encumbrances Obligations.** if the Chargor fails to observe or perform its obligations contained in the Permitted Encumbrances and/or in any other agreements relating to the Charged Premises and such failure to observe or perform has not been remedied within the cure period specified in such encumbrance or agreement; or
- (k) **Failure to Perform Management Obligations.** if the Charged Premises is not managed in accordance with the management obligations contained in this Charge and the Chargor fails to remedy such default within thirty (30) days of written notice from the Chargee; or
- (l) **Default Under Subsequent-Ranking Mortgages.** if the Chargor shall default or another event shall occur pursuant to subsequent-ranking mortgage security which, as a result thereof, such subsequent-ranking mortgage security shall have become enforceable, except where the holder of such subsequent-ranking mortgage security is exercising remedies expressly permitted pursuant to an agreement between the Chargee, the Chargor and the subsequent-ranking mortgage security holder, and all relevant rectification periods under the subsequent-ranking mortgage security shall have expired (in such event the Chargor shall not receive the benefit of any rectification period hereunder and the Chargor shall be deemed to be in default under this Section 6.01(l), notwithstanding any obligation of the subsequent-ranking mortgage security holder to give notice to the Chargee and notwithstanding whether such notice is, in fact, given); or
- (m) **Failure to Perform Covenants.** if the Chargor shall be in default of any of its covenants contained in this Charge (other than the covenants referred to elsewhere in this Section 6.01); provided that if, but only if, such default is capable of being remedied and provided also that such default is not caused by the non-payment of money, such default shall not constitute an Event of Default if such default has been remedied within fifteen (15) days after notice thereof has been given in writing to the Chargor; provided further that if:
- (i) such default does not relate to an obligation the date for performance of which was specified in advance under the Charge or in any additional Security held by the Chargee;
- (ii) in the opinion of the Chargee, acting reasonably, the Security held by the Chargee and the Chargee's rights and remedies thereunder are not materially adversely affected and the Charged Premises and the market value thereof are not materially adversely affected;

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- (iii) such default is incapable of being remedied within such fifteen (15) day period, despite the diligent efforts of the Chargor; and
- (iv) the Chargor has commenced to remedy such default promptly upon becoming aware of such default and the Chargor at all times continues to diligently use its reasonable commercial efforts to remedy such default,

the Chargor shall have such further period within which to remedy such default as may be reasonably required in the circumstances (not to exceed a maximum of thirty (30) days); or

- (n) **Default Under Other Loan Documents.** if the Chargor shall be in default under any Security or other Loan Document now or hereafter given to the Chargee in connection with this Charge, save and except defaults under securities and agreements which constitute Events of Default under one or more other subsections of this Section 6.01; provided that if, but only if, such default is capable of being remedied and provided also that such default is not caused by the non-payment of money, such default shall not constitute an Event of Default if such default has been remedied within fifteen (15) days after notice thereof has been given in writing to the Chargor; provided further that if:

- (i) such default does not relate to an obligation the date for performance of which was specified in advance under the Charge or in any additional Security held by the Chargee;
- (ii) in the opinion of the Chargee, acting reasonably, the Security held by the Chargee and the Chargee's rights and remedies thereunder are not materially adversely affected and the Charged Premises and the market value thereof are not materially adversely affected;
- (iii) such default is incapable of being remedied within such fifteen (15) day period, despite the diligent efforts of the Chargor; and
- (iv) the Chargor has commenced to remedy such default promptly upon becoming aware of such default and the Chargor at all times continues to diligently use its reasonable commercial efforts to remedy such default,

the Chargor shall have such further period within which to remedy such default as may be reasonably required in the circumstances (not to exceed a maximum of thirty (30) days); or

- (o) **Material Adverse Change.** if an event shall occur at or with respect to the Charged Premises which, in the opinion of the Chargee, acting reasonably, could materially adversely affect the market value of the Charged Premises; provided that if, and only if, the result of such event can be remediated and provided also that such event is not caused by the non-payment of money, such event shall not constitute an Event of Default if such event has been remediated within fifteen (15) days following written notice thereof to the Chargor; provided further that if:

- (i) such event does not relate to an obligation the date for performance of which was specified in advance under the Charge or in any other Security held by the Chargee;
- (ii) in the opinion of the Chargee, acting reasonably, the Security held by the Chargee and the Chargee's rights and remedies thereunder are not adversely affected;
- (iii) such event is incapable of remediation within such fifteen (15) day period, despite the diligent efforts of the Chargor; and
- (iv) the Chargor has commenced to remediate such event promptly upon becoming aware of such event and the Chargor at all times continues to diligently use its reasonable commercial efforts to remediate such event,

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the Chargor shall have such further period within which to remediate such event as may be reasonably required in the circumstances (not to exceed a maximum of thirty (30) days).

**Section 6.02 Compound Interest.** If and so long as the Chargor defaults in the payment of any sum of money due and payable to the Chargee pursuant to any provision hereof, the Chargor shall, so long as the amount so in default or any part thereof remains in default, pay to the Chargee, in addition to any and all other sums of money payable hereunder, compound interest on the amount so in default or on so much thereof as may from time to time remain unpaid, computed from the time of such default at the Mortgage Rate and to become due and be paid on demand, and any interest which is payable under or by virtue of this Section 6.02 shall be secured by this Charge and shall be a charge upon the Charged Premises until paid.

#### ARTICLE 7 - REMEDIES IN CASE OF DEFAULT

**Section 7.01 Acceleration.** Upon the occurrence of an Event of Default which is continuing the Chargee may, in its sole, absolute and unfettered discretion and in addition to any remedy set forth in Section 7.03 hereof, declare the Principal Sum, together with all interest thereon and all other moneys (if any) owing hereunder, to become immediately due and payable to the Chargee, all without notice (except the declaration referred to above), presentment, protest, demand, notice of dishonour or any other demand/notice (all of which are hereby expressly waived) and the Chargor shall and will pay forthwith to the Chargee all the Principal Sum, interest thereon and all other moneys owing hereunder, with interest on overdue interest as herein provided until payment is received by the Chargee, and such payment when made shall be deemed to have been made on account of the moneys due and owing under this Charge.

**Section 7.02 Waiver.** The Chargee may, in writing, at any time or times waive an Event of Default after the occurrence thereof upon such terms and conditions as it shall determine, in its sole, absolute and unfettered discretion, provided that any such waiver shall apply only to the particular Event of Default waived and shall not operate as a waiver of any other or future Event of Default.

**Section 7.03 Remedies.** Upon the occurrence of an Event of Default which is continuing the Chargee may, in its sole, absolute and unfettered discretion:

- (a) **Possession etc.** take possession of all or any part(s) of the Charged Premises with power to: exclude the Chargor and its agents and servants therefrom; complete and/or preserve and maintain the Charged Premises and make such repairs, replacements, improvements and additions thereto as the Chargee may determine; receive the rents, incomes and profits thereof of any kind whatsoever and pay therefrom all expenses of maintaining, preserving, protecting and operating the Charged Premises and all charges against the Charged Premises ranking in priority to this Charge or payment of which may be necessary to preserve or protect the Charged Premises, and pay out the remainder of the moneys so received and not required for any of the purposes provided for in this Section 7.03, in accordance with the provisions of Section 8.01; in accordance with prudent real estate practice, lease any vacant space in the Charged Premises and renew or amend from time to time any or all of the Leases; and enjoy and exercise all powers necessary to the performance of all functions provided for in this Section 7.03(a) including, without limitation, the power to purchase on credit, borrow money, advance its own moneys at such rates of interest as shall be reasonable and to enter into contracts and undertake obligations for the foregoing purposes upon the security of the Charged Premises; provided that the Chargee shall, upon all Events of Default being made good or rectified, or waived as herein provided, restore the Charged Premises to the Chargor subject to the charge created by this Charge as if no Event of Default had occurred; and/or
- (b) **Completion and Repairs.** take all such steps as the Chargee may consider necessary or desirable for the purposes of completing the Charged Premises and/or any repairs, replacements, improvements and additions thereto and for such purposes shall enter into all such contracts and undertake all such obligations as the Chargee may determine, in its sole, absolute and unfettered discretion, and shall give security therefor upon the Charged Premises; provided that the Chargee shall not be under any obligation to complete the Buildings and/or any repairs, replacements, improvements and/or additions thereto; and/or



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- (c) **Court-Appointed Receiver.** apply to a court of competent jurisdiction for the appointment of a receiver or receiver and manager to take possession of all or such part or parts of the Charged Premises as the Chargee shall designate, with such duties, powers and obligations as the court making the appointment shall confer; and the Chargor hereby consents to the appointment of such receiver or receiver and manager; and/or
- (d) **Chargee-Appointed Receiver.** with or without entering into possession of the Charged Premises or any part thereof, by writing duly executed by the Chargee, appoint a receiver (such term shall include a receiver and manager) of the Charged Premises or any part thereof and of the rents and profits thereof, and with or without security, and may from time to time by similar writing remove any receiver and appoint another in his stead (and the Chargor hereby consents to such appointments and removals) and upon the appointment of any such receiver or receivers from time to time the following provisions shall apply:
- (i) every such receiver shall, to the extent permitted by law, be the irrevocable agent or attorney of the Chargor for the collection of all rents falling due in respect of the Charged Premises or any part thereof, whether in respect of any tenancies created in priority to this Charge or subsequent thereto;
  - (ii) every such receiver may, as determined by the Chargee and confirmed in writing, be vested with any or all of the powers of the Chargee hereunder;
  - (iii) the Chargee may from time to time by such writing fix the reasonable remuneration of every such receiver who shall be entitled to deduct the same out of the receipts from the Charged Premises or the proceeds thereof;
  - (iv) every such receiver shall, so far as concerns the responsibility of his acts or omissions, be deemed the agent or attorney of the Chargor and in no event the agent of the Chargee;
  - (v) the appointment of every such receiver by the Chargee shall not incur or create any liability on the part of the Chargee to the receiver in any respect and such appointment or anything which may be done by any such receiver or the removal of any such receiver or the termination of any such receivership shall not have the effect of constituting the Chargee a mortgagee in possession in respect of the Charged Premises or any part thereof;
  - (vi) every such receiver shall from time to time have the power to lease, in accordance with prudent real estate practice, any portion of the Charged Premises for such term and subject to such provisions as he may deem advisable or expedient and in so doing every such receiver shall act as the attorney or agent of the Chargor and he shall have authority to execute any Lease of any such premises in the name of and on behalf of the Chargor and the Chargor undertakes to ratify and confirm whatever any such receiver may do in the Charged Premises;
  - (vii) every such receiver shall have full power to manage, operate, improve, modify, repair, alter, complete or extend the Charged Premises or any part thereof in the name of the Chargor for the purpose of securing the payment of the Principal Sum and interest thereon;
  - (viii) no such receiver shall be liable to the Chargor to account for moneys or damages other than cash received by it in respect of the Charged Premises or any part thereof and every such receiver shall apply such cash so received to pay in the following order:
    - (A) its reasonable remuneration as aforesaid;
    - (B) all expenses properly made or incurred by it in connection with the management, operation, improvement, modification, repair, alteration or extension of the Charged Premises or any part thereof;
    - (C) moneys which may from time to time be or become charged upon the Charged Premises in priority to this Charge, and all Taxes, insurance

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premiums and every other proper expenditure made or incurred by it in respect to the Charged Premises or any part thereof;

- (D) all interest due or falling due, other moneys (if any) on account of proper expenditures made or incurred by or for the Chargee, the outstanding balance of the Principal Sum and all other amounts due to the Chargee pursuant to this Charge; and
- (E) thereafter any surplus remaining in the hands of every such receiver to the Chargor or its successors or assigns; and
- (ix) the Chargee may at any time and from time to time terminate any such receivership by notice in writing, duly executed by the Chargee, to the Chargor and to any such receiver; and/or
- (c) **Sale of Charged Premises.** subject to the provisions of all applicable legislation, with or without entering into possession, sell all or part of the Charged Premises either as a whole or in separate parcels, at public auction or by public tender or by private sale, at such time and places, subject to adjournment from time to time by the Chargee, on such reasonable terms and conditions (including reserve bids, price and payment) as the Chargee shall determine; and/or
- (f) **Realize on Security.** realize all or any part or parts of the security hereby constituted by any other means of any nature or kind whatsoever that a court of competent jurisdiction shall approve as being just and expedient in the circumstances, having regard to the nature of the operations carried on in the Charged Premises, including any other action, suit, remedy or proceeding authorized or permitted by this Charge or by law or in equity, and not to be limited to forms of realization which a court is given jurisdiction to approve under statute; and/or
- (g) **Enforce Leases.** with or without taking possession, take any action or proceeding to enforce the performance of any covenant contained in any of the Leases; and/or
- (h) **Action/Proceeding.** take any action or proceeding to enforce payment of the Principal Sum and interest and other moneys secured hereunder or performance of any other covenant contained herein, or to enforce the security hereby constituted or exercise any of the rights of the Chargee under the Charge or any other Security held by the Chargee, and to bring to sale the Charged Premises or any part or parts thereof under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other legal remedy which the Chargee shall deem most effectual to protect and enforce any of its rights hereunder; and/or
- (i) **Other Remedies.** exercise or pursue any other remedy authorized or permitted hereby, by law and/or in equity.

**Section 7.04 Cumulative and Non-Exclusive Remedies.** No remedy herein conferred upon or reserved to the Chargee is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under any additional or ancillary Security now or hereafter held by the Chargee, or now existing or hereafter to exist by law or by statute as modified herein. Without limiting the generality of the foregoing, the taking of judgment or judgments on any of the covenants herein contained shall not operate as a merger of the said covenants or affect the right of the Chargee to interest as provided in Section 2.04.

**Section 7.05 Liability.** Save and except as to claims at law or in equity to an accounting, the Chargee shall not, nor shall any receiver or receiver and manager appointed by it, be responsible or liable, otherwise than as a trustee, for any debts contracted by them, for damages to Persons or property or for salaries or non-fulfillment of contracts during any period wherein the Chargee or such receiver or receiver and manager shall manage the Charged Premises or any part thereof upon or after entry, as herein provided, and the Chargee shall not be bound to do, observe or perform or to see to the observance or performance by the Chargor of any of the obligations herein imposed upon the Chargor, nor in any other way to supervise or interfere with the conduct of the Chargor's operation of the Charged Premises.

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**Section 7.06 Judgment.** In any judicial or other proceeding to enforce the security hereby created, judgment may be rendered against the Chargor in favour of the Chargee for any amount which may remain due in respect of the Principal Sum, interest thereon and all other moneys owing hereunder after the application to the payment thereof of the proceeds of any sale of the Charged Premises or any part thereof.

**Section 7.07 Chargor Cooperation.** In the case of any sale hereunder, whether by the Chargee, or by a receiver or receiver and manager, or under judicial proceedings, the Chargor hereby covenants that, unless it is otherwise contesting such sale, it shall, forthwith upon request, execute and deliver to the purchaser such deeds, assurances, conveyances and receipts as may be necessary to transfer good title to the secured property sold, and if in case of any such sale the Chargor shall fail to do so forthwith after request, the Chargee or such receiver or receiver and manager may execute and deliver to the purchaser of the secured property, or any part thereof, such deeds, assurances, conveyances and receipts as may be necessary to transfer good title to the same, for and in the name of the Chargor, as its attorney.

**Section 7.08 Chargee Authority.** No Person dealing with the Chargee or its agents shall be concerned to inquire whether the powers which the Chargee or such agents are purporting to exercise have become exercisable, or whether any money remains due upon the security of this Charge, or as to the necessity or expediency of the stipulations and conditions subject to which any sale shall be made, or otherwise as to the propriety or regularity of any sale or of any other dealing by the Chargee with the Charged Premises or to see to the application of any money paid to the Chargee; and in the absence of fraud on the part of such Person, such dealings shall be deemed, insofar as regards the safety and protection of such Person, to be within the powers hereby conferred and to be valid and effectual accordingly.

**Section 7.09 Chargee Right to Pay Claims and Encumbrances.** It is hereby agreed that the Chargee may pay the amount of any encumbrance, lien claim or charge now or hereafter existing, arising or claimed upon or against the Charged Premises having priority, or purporting to have priority, over the Charge, including any Taxes, and may pay all related costs, charges and expenses (including all legal fees and disbursements of Counsel on a substantial indemnity basis), whether or not any action or any proceeding is taken, which may be incurred in taking, recovering, protecting and keeping possession of the Charged Premises and/or collecting any overdue interest, principal, insurance premiums or any other moneys whatsoever payable by the Chargor hereunder or for the enforcement of any other covenant or obligation of the Chargor hereunder and all costs incurred in preserving the priority of the Chargee hereunder and in defending all claims against the Chargee's priority including all amounts, costs, charges and expenses incurred by the Chargee as a consequence of the Chargor's default hereunder, and all such amounts, costs, charges and expenses so paid shall be added to the debt hereby secured and be a charge on the Charged Premises and shall bear interest at the Mortgage Rate and shall be payable forthwith by the Chargor to the Chargee. In the event of the Chargee paying the amount of any such encumbrance, lien, claim, charge or Taxes, either out of the moneys advanced under the Charge or otherwise, it shall be entitled and subrogated to all the rights, equities and securities of the Person so paid, without the necessity of a formal assignment, and the Chargee is hereby authorized to retain any discharge thereof, without registration, if it thinks proper to do so.

#### ARTICLE 8 - APPLICATION OF MONEYS

**Section 8.01 Application of Moneys.** Except as otherwise expressly provided in this Charge, the moneys arising from the possession by the Chargee of the Charged Premises or any part thereof, or from any sale or realization of the whole or any part of the Charged Premises (except by foreclosure), pursuant to any actions or proceedings based upon an Event of Default hereunder, whether under sale by the Chargee or by judicial proceedings or otherwise, shall be applied: first, to reimburse the Chargee for all costs, charges, expenses and advances incurred in taking, recovering and keeping possession of the Charged Premises or in any other proceedings taken hereunder in connection with or to realize upon the security granted to the Chargee under this Charge or under any additional Security now or hereafter held by the Chargee for the obligations hereby secured, with interest thereon at the Mortgage Rate; second, to pay all Taxes and other charges ranking in priority to the security of this Charge; third, to pay all accrued and unpaid interest (including interest on interest); fourth, to pay the Principal Sum outstanding pursuant to this Charge; fifth, to pay all other charges secured by this Charge; and sixth, to return the surplus of moneys (if any) to the Chargor; the Chargee may, in its sole, absolute and

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unfettered discretion, vary the above priorities by written notice, in which event the moneys shall be distributed in accordance with the notice.

#### ARTICLE 9 - LEASES

**Section 9.01 Termination Fees.** Without limiting the generality of the foregoing, whether or not the Chargee's consent to the cancellation or surrender of any Lease is required hereunder, (a) the Chargor shall notify the Chargee, in writing, of any cancellation penalties or other consideration payable to the Chargor in connection with such cancellation or surrender (the "Termination Fees"), which written notice must be delivered to the Chargee prior to the payment by the applicable tenant of any such Termination Fees to the Chargor, and (b) at the Chargee's sole option, the Chargee may (i) require that the Chargor deposit such Termination Fees into a reserve held by the Chargee or the Servicer, and (ii) impose such restrictions and conditions on the release of the Termination Fees from such reserve as the Chargee shall determine, acting reasonably, including, without limitation (A) requiring that such vacant space be relet to a tenant and under a Lease acceptable to the Chargee, acting reasonably (an "Approved Lease"), (B) the tenant under the Approved Lease shall be in occupancy of its leased premises and paying rent, (C) the Chargor shall provide to the Chargee an estoppel certificate from the tenant under the Approved Lease in a form acceptable to the Chargee, acting reasonably, and (D) the Chargor shall provide to the Chargee evidence acceptable to the Chargee, acting reasonably, that all improvements to the Charged Premises required by the Approved Lease have been completed.

**Section 9.02 No Set-Off.** Subject to the provisions of the existing Leases, no Lease shall contain a provision whereby the tenant thereof may, under any circumstances, other than the abatement in the event of damage and repair to the leased premises, deduct from, abate or set-off against any rent payable under a Lease.

**Section 9.03 Non-Disturbance Agreements.** The Chargee covenants to provide to each tenant, upon the Chargor's request and at the Chargor's cost, a non-disturbance and attornment agreement on the Chargee's standard form with such amendments as may be requested by a tenant and accepted by the Chargee, acting reasonably, provided the tenant is not then in default of its lease obligations, the lease was entered into in compliance with the terms of the Security and such tenant has entered into an attornment agreement with the Chargee in a form acceptable to the Chargee, acting reasonably.

#### ARTICLE 10 - EXPROPRIATION/CONDEMNATION

**Section 10.01 Expropriation/Condemnation.** If all or any part of the Charged Premises is expropriated, condemned or otherwise taken by any governmental authority or threatened to be so taken, the Chargor shall notify the Chargee promptly of the time and place of all meetings, hearings, trials and other proceedings relating to such action; the Chargee may participate in all negotiations and appear and participate in all judicial or arbitration proceedings concerning any award or payment which may be due as a result of such taking or damage, and may, in the Chargee's discretion, acting reasonably, compromise or settle, in the names of both the Chargor and the Chargee, any claim for any such award or payment; any such award or payment shall be paid to the Chargee, and applied first to reimburse the Chargee for all costs and expenses (including solicitors' legal fees and disbursements on a substantial indemnity basis) incurred by the Chargee in connection therewith; the balance, if any, of such award or payment may, in the Chargee's sole, absolute and unfettered discretion, either (a) be retained by the Chargee and applied toward the Principal Sum, or (b) be paid over, in whole or in part and subject to such conditions as the Chargee may impose, to the Chargor for the purpose of restoring, repairing or rebuilding any part of the Charged Premises affected by the taking or damage; notwithstanding the preceding sentence, if (i) no Event of Default shall have occurred and be continuing hereunder, (ii) the proceeds received by the Chargee (together with any other funds delivered by the Chargor to the Chargee for such purpose) shall be sufficient, in the Chargee's judgment, acting reasonably, to pay for any restoration necessitated by the taking or damage, (iii) the cost of such restoration shall not exceed \$250,000.00, (iv) such restoration can be completed, in the Chargee's judgment, acting reasonably, not less than ninety (90) days prior to the Maturity Date, and (v) the remaining portion of the Charged Premises shall constitute, in the Chargee's sole, absolute and unfettered discretion, adequate security for all sums payable hereunder, then the Chargee shall apply such proceeds as provided in clause (b) of the preceding sentence.

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#### ARTICLE 11 - ENVIRONMENTAL

**Section 11.01 Environmental Representations and Warranties.** The Chargor represents and warrants to the Chargee that, to the best of its knowledge after due inquiry, except as disclosed in the Phase I environmental report for the Lands delivered to the Chargee as a condition to the advance of the Loan, the Lands and its existing and prior uses comply in all material respects with all Environmental Laws and, without limiting the generality of the foregoing:

- (a) the Lands have never been used as a land fill site or to store Hazardous Substances either above or below ground, in storage tanks or otherwise;
- (b) all Hazardous Substances used in connection with the business conducted at the Lands have at all times been received, handled, used, stored, treated, shipped and disposed of in strict compliance with all Environmental Laws;
- (c) the Chargor has complied with all reporting and inspection requirements pursuant to Environmental Laws in respect of the Charged Premises and the operations and business conducted thereat;
- (d) all pollution control equipment forming part of the Charged Premises is effective in meeting current applicable emission limits and effluent and pretreatment standards;
- (e) all operating records, files and reports, including environmental monitoring and reporting records, have been maintained in accordance with all applicable Environmental Laws;
- (f) the Chargor has obtained all licences, permits and other environmental approvals and authorizations necessary pursuant to Environmental Laws for the conduct of the operations and business at the Charged Premises;
- (g) no Hazardous Substances have been released into the environment or deposited, discharged, placed or disposed of at, from or on the Lands, nor have migrated from the Lands, as a result of the conduct of business on the Lands or otherwise, in each case other than in compliance with all Environmental Laws in all material respects; and
- (h) no notices of violation of any Environmental Laws have been received by the Chargor in respect of the Lands and there are no outstanding directions, writs, injunctions, orders or judgments issued pursuant to Environmental Laws in respect of the Lands.

**Section 11.02 Compliance with Environmental Laws.** The Chargor shall strictly comply with the requirements of applicable Environmental Laws (including, but not limited to, obtaining any permits, licences or similar authorizations to construct, occupy, operate or use the Charged Premises or any fixtures or equipment located on the Lands by reason of applicable Environmental Laws) and shall notify the Chargee promptly in the event of any spill or location of Hazardous Substances upon the Lands that would require reporting under applicable Environmental Laws, and shall promptly forward to the Chargee copies of all orders, notices, permits, applications and other communications and reports in connection with any spill or other matters relating to applicable Environmental Laws, as they may affect the Charged Premises.

**Section 11.03 Removal of Hazardous Substances.** The Chargor shall, if required by applicable Environmental Laws, promptly remove from the Lands, at its sole expense, any Hazardous Substances upon discovery.

**Section 11.04 Liens.** The Chargor shall, at its sole cost and expense, prevent the imposition of any lien against the Charged Premises for the cleanup of any Hazardous Substances, and shall comply and cause:

- (a) all tenants under any Lease; and
- (b) any other Person on or occupying the Charged Premises,

to comply with all Environmental Laws applicable to the Charged Premises. Subject to the Leases and the rights of the tenants thereunder, the Chargor hereby grants to the Chargee and its agents, employees, consultants and contractors, an irrevocable licence to enter upon the Charged Premises upon prior notice, during business hours, to perform such tests on the Charged Premises as are reasonably necessary to conduct an investigation and/or review for compliance

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with the provisions of this Article 11. Furthermore, if deemed necessary by the Chargee, acting reasonably, the Chargee reserves the right to request that, from time to time, an environmental audit of the Charged Premises be performed, at the expense of the Chargor.

**Section 11.05 Indemnification.** The Chargor hereby agrees to indemnify and save harmless the Chargee (its officers, agents, trustees, employees, contractors, invitees) from and against all losses, demands, claims, liabilities, damages, costs (including, without limitation, all reasonable legal fees), actions, penalties, obligations and expenses (collectively the "Liabilities"), directly or indirectly, arising out of or attributable to the use, generation, storage, release, threatened release, discharge, disposal or presence on, under or about the Lands or migrating from the Lands of any Hazardous Substances. Subject to Section 11.06 below, the indemnity contained in this Section 11.05 and shall expire 18 months after complete repayment of the Principal Sum and all interest and other amounts secured hereby and the discharge of this Charge and all ancillary Security documentation.

**Section 11.06 Survival.** The provisions of each of Section 11.05 and Section 12.22 hereof are separate and distinct obligations hereunder and shall survive:

- (a) the termination or expiration of this Charge;
- (b) the transfer of the Charged Premises (including pursuant to foreclosure and a sale in lieu of foreclosure);
- (c) the complete repayment of the Principal Sum and all interest and other amounts secured hereby and the fulfillment of all of the Chargor's obligations pursuant to this Charge;
- (d) the discharge of this Charge and all ancillary Security documentation; and
- (e) the exercise of any remedies available to the Chargee pursuant to this Charge and/or ancillary Security documents, at law, in equity or otherwise.

#### ARTICLE 12 - GENERAL

**Section 12.01 Partial Releases.** The Chargee may, in its sole, absolute and unfettered discretion, at all times release any part or parts of the Charged Premises or any other Security, either with or without sufficient consideration therefor, without responsibility therefor, and without thereby releasing any other part of the Charged Premises or any Person from this Charge or from any of the covenants herein contained, it being expressly agreed that each and every portion into which the Charged Premises is or may hereafter be divided does and shall stay charged with the Principal Sum and no Person shall have the right to require the Principal Sum to be apportioned and the Chargee shall not be accountable to the Chargor for the value thereof or for any moneys except those actually received by the Chargee.

**Section 12.02 Quiet Possession.** Until the occurrence of an Event of Default and while same is continuing, or until the exercise by the Chargee of any of the rights, remedies and powers conferred upon it under this Charge or under any additional or ancillary Security for the obligations of the Chargor under this Charge, the Chargor shall peaceably and quietly have, hold, use, occupy, possess and enjoy the Charged Premises and manage and operate the same and, provided no Event of Default shall have occurred which is continuing or until the exercise by the Chargee of any of the rights, remedies and powers conferred upon it under this Charge or under any additional or ancillary Security for the obligations of the Chargor under this Charge, the Chargor shall collect the rents, revenues and other profits thereof, for its own use and benefit without hindrance, interruption or denial of or by the Chargee or by any other Person or Persons whomsoever claiming by, from or under the Chargee, provided that such rents, revenues and other profits as are collected by the Chargor together with all proceeds therefrom and the Chargor's interest therein shall nonetheless continue to be subject to the present assignment if and to the extent that such rents or the proceeds therefrom remain the property of the Chargor or the Chargor maintains an interest therein.

**Section 12.03 No Partnership/Joint Venture.** Nothing in this Charge shall be deemed in any way or for any purpose to constitute the Chargor and Chargee as partners or joint venturers in the conduct of business or otherwise.

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**Section 12.04 Acknowledgement of Receipt.** The Chargor acknowledges receipt of a true copy of this Charge.

**Section 12.05 Discharge and Release.** The Chargee shall, at the written request and expense of the Chargor, promptly cancel and discharge this Charge and promptly execute and deliver to the Chargor such instruments as shall be requisite to discharge this Charge and to promptly release or reconvey to the Chargor all property subject to the lien hereof and to promptly settle and discharge to the Chargor all additional Security given with respect to this Charge relating to the Leases or otherwise, provided that the Chargor shall have first paid to the Chargee the full Principal Sum, all interest due hereunder and all other moneys payable hereunder by the Chargor; and provided further that the Principal Sum shall have matured either by effluxion of time or otherwise pursuant to this Charge or the Chargor is, or has become, legally entitled to pay the Principal Sum secured under this Charge.

**Section 12.06 Credit Information.** For purposes of managing, administering, reporting, selling, assigning, granting participations in or otherwise in connection with the transaction contemplated hereunder, the Chargor irrevocably authorizes the Chargee, to the extent that authorization is necessary, to collect and obtain at any time any credit or other personal information and/or materials of a financial nature relating to the Chargor from financial institutions, prior creditors, credit verification bureaus and any other Person that, in the Chargee's opinion, in its sole, absolute and unfettered discretion, is relevant to the credit approval and/or performance of the transactions hereunder, and such financial institutions, prior creditors, credit verification bureaus and other Persons are authorized to communicate such information/materials at the Chargee's request.

**Section 12.07 Chargee Not Bound.** The Chargee shall not be bound to do, observe or perform or to see to the observance or performance by the Chargor of any of the obligations herein imposed upon the Chargor, nor in any other way to supervise or interfere with the conduct of the Chargor's operation of the Charged Premises.

**Section 12.08 Conduct.** No extension of time given by the Chargee to the Chargor, or anyone claiming under the Chargor, or any other dealing by the Chargee with the Chargor, shall in any way affect or prejudice the rights of the Chargee against the Chargor or any other Person liable for the payment of sums secured hereby.

**Section 12.09 Mortgage Loan Application.** The Mortgage Loan Application shall not be merged into and superseded by this Charge.

**Section 12.10 Impact of Judgment.** The obtaining of a judgment or judgments on any covenant(s) contained in this Charge shall not operate as a merger of such covenant(s) or affect the Chargee's right to interest at the Mortgage Rate.

**Section 12.11 Demand Receipt of Payments.** Any payment by the Chargor hereunder which is received by the Chargee after 1:00 p.m. on any day shall be deemed to have been made by the Chargor and received by the Chargee on the next Business Day. Any payment due and payable hereunder by the Chargor on a day that is not a Business Day shall be deemed due and payable on the next Business Day.

**Section 12.12 Amendments in Writing.** The terms of this Charge may not be waived or varied orally or by the course of conduct of any officer, employee or agent of the Chargee. All amendments of this Charge shall be in writing and signed by a duly authorized officer of each of the Chargee and the Chargor.

**Section 12.13 Invalidity.** If any obligation contained in this Charge or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Charge and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Charge shall be separately valid and enforceable to the fullest extent permitted by law.

**Section 12.14 Non-Exclusivity of Remedies.** In the event that the Chargee, in addition to the Charged Premises secured hereunder, holds any further Security in respect of the indebtedness secured pursuant to this Charge, then no single or partial exercise by the Chargee of any of the remedies specified in Article 7 hereof or under any of such further Security shall preclude any

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other and further exercise of any other right, power or remedy pursuant to this Charge or pursuant to any of such further Security. The Chargee shall at all times have the right to proceed against all or any portion of the Charged Premises or such further Security in such order and in such manner as it shall, in its sole, absolute and unfettered discretion, deem fit without waiving any rights which the Chargee may have with respect to any and all of such Security, and the exercise of any such powers or remedies from time to time shall in no way affect any other powers or remedies which the Chargee may have pursuant to this Charge, any such further Security, or in law or in equity.

**Section 12.15 Advances by Chargee.** In the event that the Chargee is at any time or from time to time during the term of this Charge required to make a payment to defeat or honour the priority of a lien claimant, any such payment or payments, and the reasonable out-of-pocket expenses of the Chargee, including legal fees and disbursements on a substantial indemnity basis, shall be payable by the Chargor forthwith, shall bear interest at the Mortgage Rate and shall be secured by this Charge.

**Section 12.16 Multiple Chargors.** In the event that the term "Chargor" includes more than one Person, each of them shall be jointly and severally liable to the Chargee for all of the Chargor's obligations hereunder.

**Section 12.17 Excluded Covenants.** In accordance with Subsection 7(3) of the *Land Registration Reform Act* (Ontario), the covenants deemed to be included in a charge by Subsection 7(1) of the said *Land Registration Reform Act* are hereby expressly excluded from this Charge.

**Section 12.18 Time of Essence.** Time shall be of the essence hereof.

**Section 12.19 Reimbursement.** The Chargor shall reimburse the Chargee for its reasonable out-of-pocket costs incurred by the Chargee in the reasonable belief, acting as a prudent lender, that such costs are necessary for the protection of its Security or the value of the Charged Premises, provided such costs shall not include costs incurred by the Chargee in connection with any assignment, syndication or securitization transaction.

**Section 12.20 Successors and Assigns.** This Charge shall enure to the benefit of and be binding upon the successors and assigns of the Chargee and the successors and permitted assigns of the Chargor.

**Section 12.21 Delays and Waiver.** Subject to applicable law, the Chargee shall not be liable or accountable for any failure to exercise its rights and remedies hereunder. No delay or failure to exercise any right or remedy by the Chargee or any receiver or receiver-manager appointed by the Chargee shall impair any such right or remedy or shall be construed to be a waiver of an Event of Default or acquiescence therein.

**Section 12.22 Indemnification of Chargee.** The Chargor hereby agrees to indemnify and save harmless the Chargee and its directors, officers, agents, trustees, employees, contractors, licencees and invitees from and against any and all losses, damages, injuries, expenses, suits, actions, claims and demands of every nature and kind whatsoever and howsoever arising out of the provisions of the Loan Documents, any letters of credit or letters of guarantee issued, the sale or lease of the Lands and/or the use or occupation of the Lands including, without limitation, those arising from the right to enter the Lands from time to time and to carry out the various tests, inspections, management and other activities permitted by the Loan Documents.

**Section 12.23 Survival.** The covenants, indemnities and agreements of the Chargor set forth in this Charge:

- (a) are separate and distinct obligations from the Chargor's other obligations;
- (b) shall, in the case of the indemnities, survive the payment and satisfaction of the Chargor's obligations and the discharge of the Security from time to time taken as security therefor, provided that, with the exception of the indemnities contained in Section 11.05 and Section 12.22 hereof which shall continue if the Chargee has been in possession or control of the Lands at any time prior to the discharge of the Security, such indemnities shall expire 18 months after repayment in full of the Loan and discharge of the Security; and



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- (c) with the exception of any covenants relating to the repayment of the Loan and any other indebtedness secured hereby, are not discharged or satisfied by power of sale, judicial sale or foreclosure of the charges created by any of the Security.

**Section 12.24 No Agents/Brokers.** Notwithstanding any other provision of this Charge, any agent, broker and/or consultant engaged with respect to the Charge and/or the Loan Documents and/or the transaction contemplated thereunder shall, at all times, be deemed to be the agent of the Chargor and not the agent of the Chargee, and that no representations, statements and/or other acts of any such agent, broker and/or consultant shall be binding upon the Chargee unless expressly authorized by the Chargee, in writing.

**Section 12.25 Postponements.** The Chargee shall use reasonable commercial efforts, within ten (10) Business Days of submission to it, and without payment of principal hereunder, but subject to reimbursement of all of the Chargee's related out of pocket costs and expenses (including legal fees on a substantial indemnity basis) and payment of the Chargee's reasonable processing fee, to execute all postponements required by the Chargor, acting reasonably, to any Permitted Encumbrance set out in Section 1.01 or to any other similar lien or encumbrance to which the Chargee has consented.

#### ARTICLE 13 - NOTICE

**Section 13.01 Notices.** All notices (each being a "Notice") required or permitted to be given by the Chargee or Chargor under this Charge shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:

If to the Chargor:

200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross

If to the Chargee:

c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

with a copy to each of:

AIG Investments  
777 South Figueroa Street, 16th Floor  
Los Angeles, California 90017-5800  
Attention: Vice President, Servicing-Commercial Mortgage Lending

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400, Bay Adelaide Centre  
Toronto, Ontario M5H 2T6  
Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

#### ARTICLE 14 - CHARGEES ASSIGNMENT

**Section 14.01 Securitization.** The Chargee may, without notice to and without the consent of the Chargor, assign, syndicate, securitize, transfer or grant participation interests in the whole or any part of this Charge, the Loan Documents, the Loan or the Security and any and all rights, title, benefits, remedies and obligations relating thereto.

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**Section 14.02 Servicer.** The Chargor acknowledges that the Chargee may retain the services of a servicer (the "Servicer") to service the Loan, including the collection of payments under this Charge. The Chargor further acknowledges that the Servicer is not the Chargee and the Servicer does not owe any obligations to the Chargor to advance funds under the Loan, or continue to be the Servicer. All references to the Chargee following the advance of the Loan shall be deemed to include the Servicer, and, subject to the terms and conditions of the servicing agreement between the Chargee and the Servicer, the Servicer shall have and may exercise at all times and without restriction all of the rights and benefits of the Chargee under this Charge, the Security and the other Loan Documents, provided, however, the Chargee may replace the Servicer in its sole, absolute and unfettered discretion.

**Section 14.03 Cooperation.** The Chargor covenants to execute all documentation and take all action that the Chargee, acting reasonably, deems necessary or useful in order to effect, perfect, complete or facilitate such assignment, provided that such documentation shall not modify the obligations of the Chargor pursuant to this Charge.


#### ARTICLE 15 - LIABILITY

**Section 15.01 Chargee Liability.** Except as the Chargee shall expressly agree in writing and except as the Chargee shall be obligated at law, nothing herein contained shall render the Chargee, its officers, employees, agents or any Person(s) for whom the Chargee is in law responsible, liable to any Person for the fulfillment or non-fulfillment of the obligations of the Chargor under the Leases and/or any other agreement/Security relating, directly or indirectly, to the Charged Premises.

#### ARTICLE 16 - POWER OF ATTORNEY

**Section 16.01 Power of Attorney.** The Chargee, as attorney/agent of the Chargor and in the Chargor's name, may, at any time and from time to time after an Event of Default shall have occurred and be continuing, exercise any of the Chargor's rights, powers, authority and/or discretion relating, directly or indirectly, to the Charged Premises. The Chargor acknowledges that this power of attorney is a power coupled with an interest.

This is **Exhibit "S"** referred to in the  
Affidavit of Jacob Baron  
sworn before me by video conference  
this 18<sup>th</sup> day of June, 2021



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A Commissioner, etc.

Nancy Ann Thompson, a Commissioner, etc.,  
Province of Ontario, for Blake, Cassels & Graydon LLP,  
Barristers and Solicitors.  
Expires July 19, 2021.

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

BETWEEN:

**CARRIAGE GATE GROUP INC.**

(the “Debtor”)

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the “Secured Party”)

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the “Loan”) pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the “Commitment”);

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the “Charge”), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor’s right, title and interest in and to the lands municipally and legally described in Schedule “A” attached hereto (the “Lands”), together with all property relating thereto including, without limitation, all of the Debtor’s right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the “Property”), all as security for the Debtor’s obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **"Agreement"** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **"this Agreement"**, **"thereof"**, **"hereunder"** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **"Accessions"**, **"Account"**, **"Chattel Paper"**, **"Document of Title"**, **"Equipment"**, **"Goods"**, **"Instrument"**, **"Intangible"**, **"Inventory"**, **"Money"**, **"Proceeds"** and **"Securities"** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **"Goods"** when used herein shall not include **"Consumer Goods"** of the Debtor as such term is defined in the PPSA;
- (c) **"Books and Records"** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **"Collateral"** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **"Collateral"** shall be deemed a reference to Collateral or any part thereof;
- (e) **"Contracts"** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **"Event of Default"** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **"Insurance Policies"** means all present and future builder's risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act (Ontario)* as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

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the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints



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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. Dealing with Collateral

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

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Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
- (i) If to the Debtor:
- 200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
- (ii) If to the Secured Party:
- c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

with a copy to each of:

AIG Investments  
777 South Figueroa Street, 16th Floor  
Los Angeles, California 90017-5800  
Attention: Vice President, Servicing-Commercial Mortgage  
Lending

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400, Bay Adelaide Centre  
Toronto, Ontario M5H 2T6  
Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.


- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "**Debtor**" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*



**CARRIAGE GATE GROUP INC.**

Per:

  
\_\_\_\_\_  
President - Mark Gross

I have the authority to bind the Corporation.

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT**

**DESCRIPTION OF LANDS**

Municipal Address: 35 Upper Centennial Parkway, Hamilton, Ontario

Legal Description: **FIRSTLY:** Part of Lot 25, Concession 8 Saltfleet, designated as Part 7 on Plan 62R-18917; Stoney Creek; together with an easement over Part of Lot 25, Concession 8 Saltfleet, designated as Parts 9, 11, 12 and 13 on Plan 62R-18917 as in WE749696; City of Hamilton

*being the whole of PIN 17088-0748(LT)*

**SECONDLY:** Part of Lot 25, Concession 8 Saltfleet, being Parts 1, 2, 3, 4, 5 and 10 on Plan 62R-18917; subject to an easement over Part 3 on Plan 62R-18917 in favour of Parts 1-5 inclusive, 12-15 inclusive, 18, 21, 30, 31, 32, 36, 38, 42, 48 and 53 on Plan 62R-14684 as in LT562193; together with an easement over Parts 2, 4, 14, 21, 30, 31, 32, 36, 38 and 48 on Plan 62R-14684 as in LT562194; subject to an easement over Part 5 on Plan 62R-18917 in favour of Part of Lot 25, Concession 8 Saltfleet, being Parts 3, 5 and 6 on Plan 62R-18292 and Parts 9, 10, 11, 39, 40, 41, 43, 44, 45, 46, 47, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77 and 78 on Plan 62R-14684 save and except Parts 1, 2, 3, 4, 5 and 10 on Plan 62R-18917 as in WE749696; subject to an easement over Part 10 on Plan 62R-18917 in favour of Part of Lot 25, Concession 8 Saltfleet, being Parts 3, 5 and 6 on Plan 62R-18292 and Parts 9, 10, 11, 39, 40, 41, 43, 44, 45, 46, 47, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77 and 78 on Plan 62R-14684 save and except Parts 1, 2, 3, 4, 5 and 10 on Plan 62R-18917 as in WE749696; subject to an easement over Part 2 on Plan 62R-18917 in favour of Part of Lot 25, Concession 8 Saltfleet, being Parts 3, 5 and 6 on Plan 62R-18292 and Parts 9, 10, 11, 39, 40, 41, 43, 44, 45, 46, 47, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77 and 78 on Plan 62R-14684 save and except Parts 1, 2, 3, 4, 5 and 10 on Plan 62R-18917 as in WE749696; subject to an easement over Part 3 on Plan 62R-18917 in favour of Part of Lot 25, Concession 8 Saltfleet, being Parts 3, 5 and 6 on Plan 62R-18292 and Parts 9, 10, 11, 39, 40, 41, 43, 44, 45, 46, 47, 49, 50, 51, 52, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77 and 78 on Plan 62R-14684 save and except Parts 1, 2, 3, 4, 5 and 10 on Plan 62R-18917 as in WE749696; Stoney Creek; together with an easement over Parts 9, 11, 12 and 13 on Plan 62R-18917 as in WE749696; City of Hamilton

*being the whole of PIN 17088-0762(LT)*

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

BETWEEN:

**65 LARCH HOLDINGS INC.**

(the “Debtor”)

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the “Secured Party”)

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the “Loan”) pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the “Commitment”);

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the “Charge”), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor’s right, title and interest in and to the lands municipally and legally described in Schedule “A” attached hereto (the “Lands”), together with all property relating thereto including, without limitation, all of the Debtor’s right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the “Property”), all as security for the Debtor’s obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **"Agreement"** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **"this Agreement"**, **"thereof"**, **"hereunder"** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **"Accessions"**, **"Account"**, **"Chattel Paper"**, **"Document of Title"**, **"Equipment"**, **"Goods"**, **"Instrument"**, **"Intangible"**, **"Inventory"**, **"Money"**, **"Proceeds"** and **"Securities"** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **"Goods"** when used herein shall not include **"Consumer Goods"** of the Debtor as such term is defined in the PPSA;
- (c) **"Books and Records"** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **"Collateral"** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **"Collateral"** shall be deemed a reference to Collateral or any part thereof;
- (e) **"Contracts"** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **"Event of Default"** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **"Insurance Policies"** means all present and future builder's risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act* (Ontario) as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. Dealing with Collateral

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured



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Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
  - (i) If to the Debtor:

200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
  - (ii) If to the Secured Party:

c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

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with a copy to each of:

AIG Investments  
 777 South Figueroa Street, 16th Floor  
 Los Angeles, California 90017-5800  
 Attention: Vice President, Servicing-Commercial Mortgage  
 Lending

Fasken Martineau DuMoulin LLP  
 333 Bay Street, Suite 2400, Bay Adelaide Centre  
 Toronto, Ontario M5H 2T6  
 Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

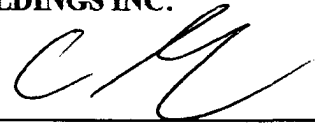
- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "**Debtor**" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

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**65 LARCH HOLDINGS INC.**

Per:



\_\_\_\_\_  
President - Mark Gross

I have the authority to bind the Corporation.



**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

Municipal Address: 65 Larch Street, Sudbury, Ontario

Legal Description: **FIRSTLY:** Lot 23, Block A, Plan 3SA McKim; Greater Sudbury

*being the whole of PIN 73584-0077(LT)*

**SECONDLY:** Lots 20-22, Block A, Plan 3SA McKim; Greater Sudbury

*being the whole of PIN 73584-0078(LT)*

**THIRDLY:** Part North Half of Lot 5, Concession 3 McKim as in S81426 (Secondly & Thirdly); Greater Sudbury

*being the whole of PIN 73584-0097(LT)*

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

BETWEEN:

**100 COLBORNE HOLDINGS INC.**

(the "Debtor")

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the "Secured Party")

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the "Loan") pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Commitment");

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Charge"), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor's right, title and interest in and to the lands municipally and legally described in Schedule "A" attached hereto (the "Lands"), together with all property relating thereto including, without limitation, all of the Debtor's right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the "Property"), all as security for the Debtor's obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **“Agreement”** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **“this Agreement”**, **“thereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **“Accessions”**, **“Account”**, **“Chattel Paper”**, **“Document of Title”**, **“Equipment”**, **“Goods”**, **“Instrument”**, **“Intangible”**, **“Inventory”**, **“Money”**, **“Proceeds”** and **“Securities”** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **“Goods”** when used herein shall not include **“Consumer Goods”** of the Debtor as such term is defined in the PPSA;
- (c) **“Books and Records”** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **“Collateral”** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **“Collateral”** shall be deemed a reference to Collateral or any part thereof;
- (e) **“Contracts”** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **“Event of Default”** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **“Insurance Policies”** means all present and future builder’s risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act* (Ontario) as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder, and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. Dealing with Collateral

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

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Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:



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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
- (i) If to the Debtor:
- 200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
- (ii) If to the Secured Party:
- c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

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with a copy to each of:

AIG Investments  
777 South Figueroa Street, 16th Floor  
Los Angeles, California 90017-5800  
Attention: Vice President, Servicing-Commercial Mortgage  
Lending

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400, Bay Adelaide Centre  
Toronto, Ontario M5H 2T6  
Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

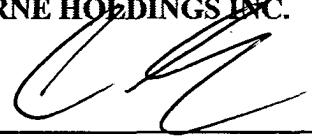
hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "Debtor" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

**100 COLBORNE HOLDINGS INC.**

Per:



\_\_\_\_\_  
President - Mark Gross

**I have the authority to bind the Corporation.**

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

Municipal Address: 100 Colborne Street, Orillia, Ontario

Legal Description: Part of Lots 10-15, 17, Block C, Plan 228 Orillia, designated as Parts 3, 4 and 5 on Plan 51R-10372; Orillia

*being the whole of PIN 58650-0115(LT)*

Municipal Address: 77 Wyandotte Street, Orillia, Ontario

Legal Description: Lot 16, Block G, Plan 228 Orillia; Part of Lot 15, Block G, Plan 228 Orillia as in RO1453448; Orillia

*being the whole of PIN 58644-0014(LT)*



**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

**BETWEEN:**

**180 VINE INC.**

(the "Debtor")

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the "Secured Party")

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the "Loan") pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Commitment");

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Charge"), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor's right, title and interest in and to the lands municipally and legally described in Schedule "A" attached hereto (the "Lands"), together with all property relating thereto including, without limitation, all of the Debtor's right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the "Property"), all as security for the Debtor's obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **“Agreement”** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **“this Agreement”**, **“thereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **“Accessions”**, **“Account”**, **“Chattel Paper”**, **“Document of Title”**, **“Equipment”**, **“Goods”**, **“Instrument”**, **“Intangible”**, **“Inventory”**, **“Money”**, **“Proceeds”** and **“Securities”** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **“Goods”** when used herein shall not include **“Consumer Goods”** of the Debtor as such term is defined in the PPSA;
- (c) **“Books and Records”** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **“Collateral”** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **“Collateral”** shall be deemed a reference to Collateral or any part thereof;
- (e) **“Contracts”** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **“Event of Default”** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **“Insurance Policies”** means all present and future builder’s risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act* (Ontario) as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. Dealing with Collateral

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the



Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
- (i) If to the Debtor:
- 200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
- (ii) If to the Secured Party:
- c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

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with a copy to each of:

AIG Investments  
777 South Figueroa Street, 16th Floor  
Los Angeles, California 90017-5800  
Attention: Vice President, Servicing-Commercial Mortgage  
Lending

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400, Bay Adelaide Centre  
Toronto, Ontario M5H 2T6  
Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "Debtor" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

**180 VINE INC.**

Per:   
\_\_\_\_\_  
President - Mark Gross

I have the authority to bind the Corporation.

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

**Municipal Address:** 180 Vine Street South, St. Catharines, Ontario

**Legal Description:** **PIN 46272-0086 (LT)**

PT LT 7, 9-10, BLK D CY PL 46 GRANTHAM;

PT BLK A CY PL 79 GRANTHAM;

PT BLK A, B CY PL 80 GRANTHAM;

PT UNNAMED ST CY PL 46 GRANTHAM, CLOSED BY  
RO407053, PT 1 3OR2209 EXCEPT PT 1 3OR3734, PT 1 3OR6493,  
& PT 1 3OR7456; ST. CATHARINES

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

BETWEEN:

**240 OLD PENETANGUISH HOLDINGS INC.**

(the "Debtor")

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the "Secured Party")

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the "Loan") pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Commitment");

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Charge"), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor's right, title and interest in and to the lands municipally and legally described in Schedule "A" attached hereto (the "Lands"), together with all property relating thereto including, without limitation, all of the Debtor's right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the "Property"), all as security for the Debtor's obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:



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- (a) **“Agreement”** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **“this Agreement”**, **“thereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **“Accessions”**, **“Account”**, **“Chattel Paper”**, **“Document of Title”**, **“Equipment”**, **“Goods”**, **“Instrument”**, **“Intangible”**, **“Inventory”**, **“Money”**, **“Proceeds”** and **“Securities”** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **“Goods”** when used herein shall not include **“Consumer Goods”** of the Debtor as such term is defined in the PPSA;
- (c) **“Books and Records”** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **“Collateral”** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **“Collateral”** shall be deemed a reference to Collateral or any part thereof;
- (e) **“Contracts”** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **“Event of Default”** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **“Insurance Policies”** means all present and future builder’s risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

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- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act (Ontario)* as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

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the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

4. **Dealing with Collateral**

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

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Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. **Default and Remedies**

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

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Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;



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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

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balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
  - (i) If to the Debtor:

200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
  - (ii) If to the Secured Party:

c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

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with a copy to each of:

AIG Investments  
 777 South Figueroa Street, 16th Floor  
 Los Angeles, California 90017-5800  
 Attention: Vice President, Servicing-Commercial Mortgage  
 Lending

Fasken Martineau DuMoulin LLP  
 333 Bay Street, Suite 2400, Bay Adelaide Centre  
 Toronto, Ontario M5H 2T6  
 Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

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hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

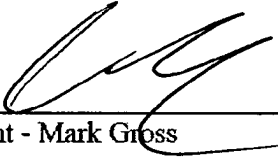
- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "**Debtor**" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

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**240 OLD PENETANGUISH HOLDINGS  
INC.**

Per:

  
\_\_\_\_\_  
President - Mark Gross

I have the authority to bind the Corporation.

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

Municipal Address: 240 Old Penetanguishene Road, Midland, Ontario

Legal Description: Part East Half of Lot 106, Concession 1 WPR Tiny; Part of Lot 107, Concession 1 WPR Tiny, designated as Parts 3 and 4 on Plan 51R-18477 and Parts 4, 5, 6, 7 and 10 on Plan R1026 except 51R-3985; together with and subject to RO1045345; Midland

*being the whole of PIN 58454-0029(LT)*

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

**BETWEEN:**

**2478658 ONTARIO LTD.**

(the "Debtor")

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the "Secured Party")

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the "Loan") pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Commitment");

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Charge"), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor's right, title and interest in and to the lands municipally and legally described in Schedule "A" attached hereto (the "Lands"), together with all property relating thereto including, without limitation, all of the Debtor's right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the "Property"), all as security for the Debtor's obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **“Agreement”** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **“this Agreement”**, **“thereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **“Accessions”**, **“Account”**, **“Chattel Paper”**, **“Document of Title”**, **“Equipment”**, **“Goods”**, **“Instrument”**, **“Intangible”**, **“Inventory”**, **“Money”**, **“Proceeds”** and **“Securities”** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **“Goods”** when used herein shall not include **“Consumer Goods”** of the Debtor as such term is defined in the PPSA;
- (c) **“Books and Records”** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **“Collateral”** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **“Collateral”** shall be deemed a reference to Collateral or any part thereof;
- (e) **“Contracts”** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **“Event of Default”** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **“Insurance Policies”** means all present and future builder’s risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;



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- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act* (Ontario) as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has

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the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. **Dealing with Collateral**

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

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Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

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Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any



balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
- (i) If to the Debtor:
- 200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
- (ii) If to the Secured Party:
- c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel

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with a copy to each of:

AIG Investments  
 777 South Figueroa Street, 16th Floor  
 Los Angeles, California 90017-5800  
 Attention: Vice President, Servicing-Commercial Mortgage  
 Lending

Fasken Martineau DuMoulin LLP  
 333 Bay Street, Suite 2400, Bay Adelaide Centre  
 Toronto, Ontario M5H 2T6  
 Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

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hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "Debtor" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

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**2478658 ONTARIO LTD.**

Per:   
\_\_\_\_\_  
President - Mark Gross

I have the authority to bind the Corporation.

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

Municipal Address: 849 Alexander Court, Peterborough, Ontario

Legal Description: Part of Lots 3 and 4 on Plan 23Q, designated as Parts 1 and 2 on Plan 45R-647, North Monaghan; Peterborough  
*being the whole of PIN 28061-0157(LT)*

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT made as of the 25<sup>th</sup> day of January, 2016,

BETWEEN:

**2009 LONG LAKE HOLDINGS INC.**

(the "Debtor")

and

**AMERICAN GENERAL LIFE INSURANCE COMPANY, as to an undivided 44% interest, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, as to an undivided 23% interest, and LEXINGTON INSURANCE COMPANY, as to an undivided 33% interest**

(collectively, the "Secured Party")

**WHEREAS** the Secured Party agreed to loan the Debtor and others the sum of \$70,000,000.00 (the "Loan") pursuant to a mortgage loan application agreement dated November 30, 2015 (the mortgage loan application agreement, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Commitment");

**AND WHEREAS** by a charge/mortgage of land of even date herewith and registered in the appropriate land registry office (such charge/mortgage, as it may be amended, modified, renewed, replaced, extended, supplemented and/or restated from time to time, the "Charge"), the Debtor did mortgage and charge, in favour of the Secured Party, all of the Debtor's right, title and interest in and to the lands municipally and legally described in Schedule "A" attached hereto (the "Lands"), together with all property relating thereto including, without limitation, all of the Debtor's right, title and interest in and to the buildings and appurtenances situate thereon and the rents payable under the leases pertaining thereto (collectively, the "Property"), all as security for the Debtor's obligations pursuant to the Loan;

**AND WHEREAS** the Debtor agreed to grant, as general and continuing security for the payment and performance of all of its obligations to the Secured Party, the security interest granted herein;

**FOR GOOD AND VALUABLE CONSIDERATION** (the receipt and sufficiency of which are hereby acknowledged) the Debtor hereby agrees as follows:

1. **Definitions**

In this Agreement, unless something in the subject matter or context is inconsistent therewith, the following words and phrases shall have the following respective meanings:

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- (a) **“Agreement”** means this agreement and all amendments made thereto by written agreement between the Secured Party and the Debtor, and the terms **“this Agreement”**, **“thereof”**, **“hereunder”** and similar expressions refer to this Agreement and not to any particular section, subsection or other portion hereof and include any agreement supplemental hereto;
- (b) the terms **“Accessions”**, **“Account”**, **“Chattel Paper”**, **“Document of Title”**, **“Equipment”**, **“Goods”**, **“Instrument”**, **“Intangible”**, **“Inventory”**, **“Money”**, **“Proceeds”** and **“Securities”** whenever used herein shall have the meanings given to those terms in the PPSA, provided always that the term **“Goods”** when used herein shall not include **“Consumer Goods”** of the Debtor as such term is defined in the PPSA;
- (c) **“Books and Records”** means all books, papers, accounts, invoices, documents and other records in any form evidencing or relating to any of the Collateral, and all contracts, securities, instruments and other rights and benefits in respect thereof;
- (d) **“Collateral”** means all of the present and future undertaking and property, both real and personal, of the Debtor located at, relating to or used in connection with, the Property, or which is necessary to the use and operation of the Property including, without limitation, all right, title and interest that the Debtor now has or may hereafter have, be possessed of, be entitled to or which may hereafter be acquired by the Debtor in Accounts, Chattel Paper, Documents of Title, Equipment, Goods, Instruments, Intangibles, Inventory, Money, Securities, Books and Records, Contracts, Insurance Policies, licences and permits and all replacements of, substitutions for and increases, additions and accessions to the foregoing, together with all Proceeds thereof, and any reference to **“Collateral”** shall be deemed a reference to Collateral or any part thereof;
- (e) **“Contracts”** means all present and future contracts, professional contracts, management contracts and sub-contracts entered into on behalf of the Debtor for the supply of services or materials to the Property and the operation of any business thereon;
- (f) **“Event of Default”** shall have the meaning ascribed thereto in the Charge, subject to all provisions of the Charge relating thereto including, without limitation, all notice requirements and curative provisions and, for greater certainty, but without in any way limiting the generality of the foregoing, an Event of Default shall be deemed to have occurred if the Debtor fails to perform any covenant contained in this Agreement, subject to all notice requirements and curative provisions relating thereto, or if any of the representations or warranties of the Debtor contained in this Agreement are incorrect, untrue, inaccurate or misrepresented in any material respect when given or made or deemed to have been given, made or repeated;
- (g) **“Insurance Policies”** means all present and future builder’s risk, hazard, damage, rental or business income loss and public liability policies of insurance now or hereafter maintained in connection with the Property;

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- (h) “**Obligations**” means all obligations of the Debtor to the Secured Party in respect of the Property, pursuant to the Charge and/or the Security now or hereafter held by the Secured Party in respect of such obligations including, without limitation, all debts and liabilities, present and future, direct and indirect, absolute and contingent, matured or not, whenever and howsoever incurred, in any currency at any time owing by the Debtor to the Secured Party and remaining unpaid by the Debtor to the Secured Party, and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred by the Debtor alone or with another or others and whether as principal or surety, including all interest, commissions, legal and other costs, charges and expenses;
- (i) “**Person**” means any natural person or artificial body (including, among others, any corporation partnership, limited partnership, trust or governmental authority);
- (j) “**PPSA**” means the *Personal Property Security Act (Ontario)* as now enacted and as the same may be amended, re-enacted or replaced from time to time, and all regulations thereunder;
- (k) “**Property**” shall have the meaning ascribed thereto in the recitals hereof; and
- (l) “**Receiver**” means a receiver, receiver and manager or any similar Person appointed in accordance with Section 5(b)(ii) hereof.

Unless otherwise defined herein or the context otherwise requires, all capitalized terms used herein which are defined in the Charge shall have the meanings ascribed thereto in the Charge.

## 2. Security Interest

- (a) As general and continuing security for the payment and performance of the Obligations, the Debtor hereby grants to the Secured Party a security interest in the Collateral and assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in the Collateral. For greater certainty, the security interest created hereby shall be operative as a present attached mortgage and charge of and security interest in any and all of the Collateral now owned by the Debtor and with respect to any and all of the Collateral acquired by the Debtor after the date hereof, shall be operative as a present mortgage and charge of and security interest in such Collateral which shall attach as a first fixed and specific mortgage and charge of and security interest in such Collateral as of the moment the Debtor acquires any rights or interest therein. The security interest granted hereby shall not extend or apply to and Collateral shall not include the last day of the term of any lease or agreement therefor now held or hereafter acquired by the Debtor, but upon the enforcement of the security interest created hereby, the Debtor shall stand possessed of such last day in trust to assign the same to any person acquiring such term.
- (b) The security interest hereby granted does not and shall not extend to, and Collateral shall not include, any agreement, right, franchise, licence or permit (the “**Contractual Rights**”) to which the Debtor is a party or of which the Debtor has



the benefit, to the extent that the creation of the security interest herein would constitute a breach of the terms of or permit any Person to terminate such Contractual Rights, but the Debtor shall hold its interest therein, in trust, for the Secured Party and shall assign such Contractual Rights to the Secured Party forthwith upon obtaining the consent of the other party thereto.

- (c) The Debtor agrees that it shall, upon the request of the Secured Party, use reasonable commercial efforts to obtain any consent required to permit any Contractual Rights to be subject to the Security Interest. The Debtor shall also use reasonable commercial efforts to ensure that all agreements entered into on and after the date of this Agreement expressly permit assignments of the benefits of such agreements as collateral security to the Secured Party in accordance with the terms of this Agreement.
- (d) Section 2(b) above shall not apply to any Contractual Rights insofar as they prohibit, restrict or require the consent of the account debtor for the assignment of, or the giving of a security interest in, the whole of an Account or Chattel Paper for money due or to become due and Collateral shall, notwithstanding Section 2(b) above, include such Contractual Rights.

### 3. **Representations, Warranties and Covenants of Debtor**

The Debtor hereby represents and warrants (or covenants as applicable) to and with the Secured Party as follows:

- (a) that it is a corporation duly incorporated, organized and subsisting under the laws of Canada or a Canadian province, with the power to enter into this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of the Debtor and constitutes a legal and valid agreement binding upon the Debtor and enforceable in accordance with its terms, and that the making and performance of this Agreement shall not result in the breach of, constitute a default under, contravene any provision of, or result in the creation of, any lien, charge, security interest, encumbrance or any other right of others upon any property of the Debtor pursuant to any agreement, indenture or other instrument to which the Debtor is a party or by which the Debtor or any of its property may be bound or affected;
- (b) except as otherwise provided in the Charge, disclosed herein or otherwise disclosed to the Secured Party, all of the Collateral is the sole property of the Debtor, free from all liens, charges, security interests, leases, encumbrances and any rights of others which rank prior to or *pari passu* or subsequent with the security interest granted hereby;
- (c) that the Debtor's principal place of business is 200 Ronson Drive, Suite 300, Toronto, Ontario M9L 1R5, and all of the Collateral and all of its records respecting the Accounts are located either at that address or at the Property;

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- (d) covenants that it shall not, without prior written notice to the Secured Party, change its principal place of business or the location of the office where it keeps its records respecting the Accounts;
- (e) covenants that it shall maintain, use and operate the Collateral and carry on and conduct its business in a lawful, prudent and business-like manner;
- (f) covenants that it shall defend the Collateral against all claims and demands respecting the Collateral made by all Persons at any time and, except for the security interest created herein or as otherwise provided herein, shall keep the Collateral free and clear of all security interests, mortgages, charges, liens and other encumbrances or interests except Permitted Encumbrances and except those hereafter approved in writing by the Secured Party prior to their creation or assumption;
- (g) covenants that it shall pay all rents, taxes, levies, assessments and government fees or dues lawfully levied, assessed or imposed in respect of the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when requested in writing, the receipts and vouchers establishing such payment;
- (h) covenants that it shall from time to time forthwith, at the reasonable request of the Secured Party, furnish to the Secured Party in writing all documents and information relating to the Collateral, and the Secured Party shall, subject to the rights of all Property tenants, be entitled from time to time, at any reasonable time, to inspect the Collateral and make copies of all information relating to the Collateral and, subject to the rights of all Property tenants, have access to all premises occupied by the Debtor or where the Collateral may be found;
- (i) covenants to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Agreement, the Charge, any other agreement now or hereafter in effect between the Debtor and the Secured Party with respect to the Loan, any agreement relating to the Collateral, any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (j) covenants to keep the Collateral insured for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably direct and in conformity with the insurance requirements contained in the Charge, with loss payable in the manner specified in the Charge, and to pay all premiums therefor;
- (k) covenants that it shall from time to time, forthwith at the reasonable request of the Secured Party, execute and deliver such financing statements, schedules, assignments and documents, and do all such further acts and things, as may be reasonably required by the Secured Party to effectively carry out the full intent and meaning of this Agreement and/or to better evidence and perfect the security interest granted hereby and the Debtor hereby irrevocably constitutes and appoints

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the Secured Party, or any Receiver appointed by the court or the Secured Party, following the occurrence of an Event of Default and only for so long as such Event of Default shall be continuing, the true and lawful attorney of the Debtor, with full power of substitution, to do any of the foregoing in the name of the Debtor whenever and wherever the Secured Party or any such Receiver may consider it to be necessary or expedient;

- (l) covenants that it shall not change its name unless it provides the Secured Party with not less than ten (10) days prior written notice thereof and, if the Debtor is a corporation, shall not amalgamate with any other corporation without obtaining the Secured Party's prior written consent thereto (such consent not to be unreasonably withheld);
- (m) covenants that it shall pay to the Secured Party forthwith upon demand all reasonable costs and expenses (including, without limitation, all costs and expenses incurred by and in connection with a Receiver, all accounting fees and expenses and all legal costs (on a substantial indemnity cost basis)) incurred by or on behalf of the Secured Party in connection with the preparation, execution and perfection of this Agreement and the carrying out of any of the provisions of this Agreement including, without limitation, protecting and preserving the security interest granted hereby and enforcing by legal process or otherwise the remedies provided herein, and agrees that all such costs and expenses shall be added to and form part of the Obligations secured hereunder; and
- (n) covenants that it shall ensure that the representation and warranties set forth in this Section 3 shall be true and correct in all material respects at all times while the Charge is in force.

#### 4. Dealing with Collateral

- (a) **Dealing with Collateral by the Debtor.** The Debtor shall not sell, lease or otherwise dispose of any of the Collateral: (i) without the prior written consent of the Secured Party; or (ii) except as expressly permitted under the Charge; or (iii) except in the ordinary course of its business and subject to the terms of the Charge; and all proceeds of any such sale, lease or disposition shall form part of the Collateral and shall continue to be subject to the security interest granted hereby.
- (b) **Notification of Account Debtor.** The Secured Party may, at any time from and after the date hereof, give notice of this Agreement and the security interest granted hereby to any person liable to the Debtor (such notice shall not require that payments be paid to the Secured Party) and further the Secured Party may, in its sole, absolute and unfettered discretion, give notice at any time after the occurrence of any Event of Default which is continuing to such persons liable to the Debtor to make all further payments to the Secured Party, and any payments or other proceeds of Collateral received by the Debtor from persons liable to the Debtor, whether before or after any notice is given by the Secured Party, shall be held by the Debtor in trust for the Secured Party and paid over to the Secured

Party on request provided an Event of Default shall have occurred and be continuing. In addition to and notwithstanding the foregoing the Secured Party shall have the rights referred to in the Charge.

- (c) **Purchase-Money Security Interests.** The Debtor shall not, except as specifically permitted by and subject to the terms of the Charge, or except in the ordinary course of its business in connection with the purchase or lease of Inventory or Equipment, be permitted to grant purchase money security interests.
- (d) **Application of Funds.** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Obligations as the Secured Party in its sole discretion shall see fit, or may be held unappropriated in a collateral account as ongoing security for the Obligations, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

## 5. Default and Remedies

- (a) **Events of Default.** The Debtor shall be in default under this Agreement upon the occurrence of any Event of Default which is continuing, subject to all curative rights of the Debtor under the Charge.
- (b) **Remedies.** Upon the occurrence of any Event of Default that is continuing and at any time thereafter, any or all of the Obligations shall, at the option of the Secured Party, become immediately due and payable or be subject to immediate performance, as the case may be, without further demand or notice, both of which are expressly waived; the obligations, if any, of the Secured Party to make further advances to the Debtor shall cease; any or all security granted hereby shall immediately become enforceable at the option of the Secured Party, and the Secured Party shall have the rights and remedies set out herein, all of which rights and remedies shall be enforceable successively, concurrently and/or cumulatively at the option of the Secured Party, subject to the provisions of the Charge relating to any of such rights and remedies of the Secured Party:
  - (i) the Secured Party may cease to make any further advances or disbursements of money or other credit (including, without limitation, letters of credit, letters of guarantee or indemnities) available to the Debtor; further, the Secured Party shall not be under any obligation to recommence advancing money or make available other credit until the Secured Party shall have received such assurances as, in its sole, absolute and unfettered discretion, it may require;
  - (ii) the Secured Party may appoint, by an instrument in writing delivered to the Debtor, a Receiver of the Collateral, and remove any Receiver so appointed and appoint another or others in his stead, or institute proceedings in any court of competent jurisdiction for the appointment of a Receiver, it being understood and agreed that:

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- (A) the Secured Party may appoint any Person as Receiver, including an officer or employee of the Secured Party;
  - (B) such appointment may be made at any time either before or after the Secured Party has taken possession of the Collateral;
  - (C) the Secured Party may from time to time fix the remuneration of the Receiver and direct the payment thereof out of the Collateral; and
  - (D) the Receiver shall be deemed to be the agent of the Debtor for all purposes and, for greater certainty, the Secured Party shall not be, in any way, responsible for any actions, whether wilful, negligent or otherwise, of any Receiver, and the Debtor hereby agrees to indemnify and save harmless the Secured Party from and against any and all claims, demands, actions, costs, damages, expenses or payments which the Secured Party may hereafter suffer, incur or be required to pay as a result of, in whole or in part, any action taken by the Receiver or any failure of the Receiver to do any act or thing;
- (iii) the Secured Party may, in accordance with its rights under the Charge, take possession of the Collateral and retain it for so long as the Secured Party or a Receiver considers appropriate, receive any rents or profits from the Collateral, and require the Debtor to assemble the Collateral and deliver or make the Collateral available to the Secured Party at such place or places as may be specified by the Secured Party;
  - (iv) the Secured Party may require the Debtor, by notice in writing given by the Secured Party to the Debtor, to disclose to the Secured Party the location or locations of the Collateral and the Debtor agrees to make such disclosure when so required by the Secured Party;
  - (v) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor, in accordance with its rights under the Charge;
  - (vi) the Secured Party may enforce any rights of the Debtor in respect of the Collateral by any manner permitted by law;
  - (vii) the Secured Party may repair the Collateral, process the Collateral and prepare the Collateral for sale, lease or other disposition, whether on the premises of the Debtor or otherwise;
  - (viii) the Secured Party may sell, lease or otherwise dispose of or realize upon the Collateral at public auction, by public or private tender, by private sale or otherwise, either for cash or upon credit, upon such other terms and conditions as the Secured Party shall determine, and whether or not the

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Secured Party has taken possession of the Collateral, and without notice, advertisement or other formality, all of which are hereby waived by the Debtor; any such sale may be made with or without any special condition as to price, reserve bid, title, evidence of title or other matter and from time to time as the Secured Party in its sole, absolute and unfettered discretion thinks fit, with power to vary or rescind any such sale or buy in at any public sale and resell without being answerable for any loss; the Secured Party may sell the Collateral for consideration, with or without taking security for the payment of instalments and may make and deliver to any purchaser thereof good and sufficient deeds, assurances and conveyances of the Collateral and give receipts for the purchase money, and any such sale shall be a perpetual bar, both at law and in equity, against the Debtor and all those claiming an interest in Collateral by, from, through or under the Debtor;

- (ix) the Secured Party or the Receiver may make any sale, lease or other disposition of the Collateral in the name of and on behalf of the Debtor or otherwise;
  - (x) the Secured Party may retain the Collateral or any part thereof by giving notice thereof to the Debtor, it being agreed that to the extent permitted by law such retention shall reduce the amount of the Obligations by an amount equal to the fair market value, as reasonably determined by the Secured Party, of the Collateral so retained;
  - (xi) the Secured Party may borrow money on the security of the Collateral for purposes of carrying on the business of the Debtor or for the maintenance, preservation, protection or realization of the Collateral, which security may rank either prior or subsequent in priority to the security interest granted by this Agreement;
  - (xii) the Secured Party may file such proofs of claim or other documents as may be necessary or desirable to have its claim lodged in any bankruptcy, winding-up, liquidation, dissolution or other proceedings (voluntary or otherwise) relating to the Debtor; and
  - (xiii) the Secured Party may take any other action, suit, remedy or proceeding authorized or permitted by this Agreement, the PPSA or by law or equity.
- (c) **Additional Provisions on Realization.** The Debtor further agrees with the Secured Party that:
- (i) for the purpose of Section 5 of this Agreement, a reference to the "Secured Party" shall, where the context permits, include any Receiver appointed in accordance with Subdivision 5(b) hereof and the agents, officers and employees of such Receiver;

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- (ii) the Secured Party shall not be liable or responsible for any failure to seize, collect, realize from, sell or obtain payment of the Collateral and shall not be bound to institute proceedings or to take other steps for the purpose of seizing, collecting, realizing or obtaining possession or payment of the Collateral or for the purpose of preserving any rights of the Secured Party, the Debtor or any other Person in respect of the Collateral;
- (iii) the Secured Party may grant extensions of time, take, abstain from taking and perfecting and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other securities as the Secured Party may see fit without prejudice to the liability of the Debtor to the Secured Party or the Secured Party's rights hereunder;
- (iv) to facilitate the realization of the Collateral, the Secured Party may, to the exclusion of all others but subject to the prior rights of the space tenants of the Property under their leases, including the Debtor, enter upon, occupy and use all or any of the premises, buildings, plant and undertaking of or occupied by the Debtor and use all or any of the Equipment and other property of the Debtor for such time as the Secured Party shall require, free of charge, and the Secured Party shall not be liable to the Debtor for any neglect in so doing or in respect of any rent, charges, depreciation or damages in connection with such actions;
- (v) the Secured Party may charge on its own behalf and pay to others all reasonable amounts for expenses incurred and for services rendered in connection with the taking, holding, operating, repairing, processing, preparing for disposition and disposing of the Collateral including, without limitation, legal costs on a substantial indemnity cost basis, Receiver and accounting fees and expenses, and in every such case the amounts so paid together with all costs, charges and expenses incurred in connection therewith shall be payable by the Debtor to the Secured Party and be added to and form part of the Obligations hereby secured as of the date incurred and shall bear interest at the highest rate of interest charged by the Secured Party at that time in respect of any part of the Obligations until payment thereof;
- (vi) the Secured Party may discharge any claim, lien, mortgage, charge, security interest, encumbrance or any rights of others that may exist or be threatened against the Collateral, and in every such case the amounts so paid together with costs, charges and expenses incurred in connection therewith shall be added to the Obligations hereby secured; and
- (vii) any proceeds of realization of the Collateral may be applied by the Secured Party to the payment of expenses in connection with the preservation and realization of the Collateral as above described and any

balance of such proceeds shall be applied by the Secured Party in the manner provided for in the Charge.

6. **General Provisions**

- (a) **Benefit of the Agreement.** This Agreement shall be binding upon the successors and the permitted assigns of the Debtor and shall benefit the successors and assigns of the Secured Party.
- (b) **No Waiver.** No delay or failure by the Secured Party in the exercise of any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude the other or further exercise thereof or the exercise of any other right.
- (c) **Severability.** If any obligation contained in this Agreement or the application thereof to any Person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to Persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (d) **Notices.** All notices (each being a "Notice") required or permitted to be given by the Secured Party or the Debtor under this Agreement shall be in writing and shall be deemed given (a) upon personal delivery, (b) on the first Business Day after receipted delivery to a courier service which guarantees next - Business Day delivery, or (c) on the third Business Day after mailing, by registered mail, postage prepaid (unless there is a general interruption in Canadian postal service, in which case all Notices shall be personally delivered or couriered), in any case to the appropriate party at its address set forth below:
- (i) If to the Debtor:
- 200 Ronson Drive, Suite 300  
Toronto, Ontario M9L 1R5  
Attention: Mark Gross
- (ii) If to the Secured Party:
- c/o Largo Real Estate Advisors, Inc.  
2420 North Forest Road  
Getzville, New York 14068  
Attention: Stephanie Vogel



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with a copy to each of:

AIG Investments  
777 South Figueroa Street, 16th Floor  
Los Angeles, California 90017-5800  
Attention: Vice President, Servicing-Commercial Mortgage  
Lending

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400, Bay Adelaide Centre  
Toronto, Ontario M5H 2T6  
Attention: Mark Brennan

Each party may, from time to time, change its address for Notices by giving Notice thereof, to the other parties in accordance with this Section.

- (e) **Modification and Assignment.** This Agreement may not be amended or modified in any respect except by written instrument signed by both parties. The rights of the Secured Party under this Agreement may be assigned by the Secured Party without the prior consent of, but upon notice to, the Debtor. The Debtor may not assign its obligations under this Agreement, except in accordance with the terms of, and concurrently with, an assignment of the Charge.
- (f) **Additional Continuing Security.** This Agreement and the security interest granted hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party, and this Agreement is a continuing agreement and security that shall remain in full force and effect until discharged by the Secured Party.
- (g) **Headings.** The division of this Agreement into sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (h) **Gender.** In this Agreement words importing the singular number shall include the plural and vice-versa and words importing any gender shall include all genders.
- (i) **Release.** Upon payment of all monies secured by the Charge and registration of the discharge/cessation of the Charge, this Agreement shall be deemed to be released, provided further that the Secured Party shall provide to the Debtor, forthwith upon request and at the cost of the Debtor, a release of this Agreement and all related PPSA financing statements.
- (j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Agreement, the Debtor accepts for itself and in respect of its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in the said province. The Debtor

hereby waives, and agrees not to assert, by way of motion, as a defence or otherwise, in any action or proceeding, any claim that it is not personally subject to the jurisdiction of the said courts of the Province of Ontario located in the City of Toronto, that the action or proceeding is brought in an inconvenient forum, that the venue of the action or proceeding is improper or that this Agreement or the subject-matter hereof may not be enforced in such courts. Nothing herein shall limit the right of any party to serve process in any manner permitted by law or to commence a legal proceeding or otherwise proceed against any other party in any other jurisdiction.

- (k) **Executed Copy.** The Debtor acknowledges receipt of a fully executed copy of this Agreement.
- (l) **Non-Merger.** The Secured Party's rights hereunder shall in no way merge with or be affected by any proceeding that the Secured Party may initiate pursuant to the Charge and/or the Security. The rights, remedies and security given to the Secured Party hereunder are cumulative and not in substitution for any rights, remedies or security to which the Secured Party may be entitled, either under the Charge or under the Security or at law. The Secured Party shall not be required to take any proceedings pursuant to the Charge or pursuant to the Security before initiating proceedings pursuant to this Agreement. Conversely, no proceedings hereunder shall affect the rights of the Secured Party pursuant to the Charge and/or the Security, and the Secured Party shall not be required to take any proceedings pursuant to this Agreement before initiating proceedings pursuant to the Charge and/or the Security.
- (m) **Joint and Several Liability.** In the event that the term "Debtor" includes more than one Person, then they shall be jointly and severally liable to the Secured Party for all of the Debtor's obligations hereunder.
- (n) **Inconsistency.** In the event of inconsistency between the provisions of the Charge and the provisions of this Agreement, the provisions of the Charge shall prevail.

*[Remainder of page intentionally left blank]*

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**2009 LONG LAKE HOLDINGS INC.**

Per:

A handwritten signature in black ink, appearing to be 'MG', written over a horizontal line.

President - Mark Gross

I have the authority to bind the Corporation.

**SCHEDULE "A" TO GENERAL SECURITY AGREEMENT****DESCRIPTION OF LANDS**

Municipal Address: 2009 Long Lake Road, Sudbury, Ontario

Legal Description: **FIRSTLY:** Parcel 8259, Section SES; Part of Lot 6, Concession 1 McKim except LT52588, LT53059, LT109847, Part 7 on Plan 53R-4520 and Part 4 on Plan 53R-13501; subject to LT25019; Greater Sudbury

*being the whole of PIN 73595-0102(LT)*

**SECONDLY:** Parcel 39445, Section SES; Part of Lot 6, Concession 1 McKim, designated as Parts 3 to 7 and 12 to 15 on Plan 53R-5036; Part of Lot 6, Concession 1 McKim, designated as Part 5 on Plan 53R-13501; subject to Parts 2 and 3 on Plan 53R-13501 as in LT717184; subject to LT25019, LT735739; Greater Sudbury

*being the whole of PIN 73595-0174(LT)*

**THIRDLY:** Parcel 39000, Section SES; designated as Part of Lot 6, Concession 1 McKim, designated as Parts 9 to 11 on Plan 53R-5036; together with a right-of-way over Parts 1 and 2 on Plan 53R-5036; subject to LT25019; Greater Sudbury

*being the whole of PIN 73595-0333(LT)*