

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

**B E T W E E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

**- and -**

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*,  
R.S.C. 1985, c. B-3, and section 101 of the *Courts of Justice Act*,  
R.S.O. 1990, c. C.43**

**APPLICATION RECORD OF THE APPLICANT,  
FIRST SOURCE FINANCIAL MANAGEMENT INC.**

June 10, 2024

**Paliare Roland Rosenberg Rothstein LLP**  
155 Wellington Street West, 35th Floor  
Toronto ON M5V 3H1  
Tel: 416.646.4300  
Fax: 416.646.4301

**Jeffrey Larry** (LSO # 44608D)  
Tel: 416.646-4330  
[jeff.larry@paliareroland.com](mailto:jeff.larry@paliareroland.com)

**Ryan Shah** (LSO # 88250C)  
Tel: 416.646-6356  
[ryan.shah@paliareroland.com](mailto:ryan.shah@paliareroland.com)

**Lawyers for the Applicant**

## INDEX

TAB	DOCUMENT	PAGE NO.
1.	<u>Notice of Application issued May 24, 2024</u>	5
2.	<u>Affidavit of Kunj Patel, affirmed June 7, 2024</u>	17
	<b><u>Exhibit A</u></b> - Parcel registers for the property	26
	<b><u>Exhibit B</u></b> - Commitment Letter issued by First Mortgage Corporation dated November 30, 2020	29
	<b><u>Exhibit C</u></b> - Guarantee and Postponement of Claims dated March 30, 2021	48
	<b><u>Exhibit D</u></b> - First Charge in the amount of \$3,942,000 registered as Instrument No. SC1768805. signed April 6, 2021	53
	<b><u>Exhibit E</u></b> - PIN 58405-0667 - Charge Mortgage (Document SC1971266) dated May 17, 2024	84
	<b><u>Exhibit F</u></b> - General Security Agreement from Borrower dated March 30, 2021	91
	<b><u>Exhibit G</u></b> - PPSA Search - BLOCK 80 HOLDINGS INC. dated April 18, 2024	100
	<b><u>Exhibit H</u></b> - Execution (OWL) Search - BLOCK 80 HOLDINGS INC. dated April 18, 2024	102
	<b><u>Exhibit I</u></b> - Five increase and amendment agreements in respect of the Loan	104
	<b><u>Exhibit J</u></b> - Charge Amendments were registered on title prior to the Second Mortgage	183
	<b><u>Exhibit K</u></b> - Forbearance Agreements	194
	<b><u>Exhibit L</u></b> - Discharge Statement - 61 Thompson Rd. W., Penetanguishene	248
3	<u>Consent of TDB Restructuring Limited to Act as Receiver</u>	252

TAB	DOCUMENT	PAGE NO.
4	<u>Draft Receivership Order – Clean</u>	255
5	<u>Draft Receivership Order – Blackline</u>	276
6	<u>Draft Judgment</u>	297
7	<u>Service List, as of June 10, 2024</u>	301

# TAB 1



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

**BETWEEN:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

- and -

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*,  
R.S.C. 1985, c. B-3, and section 101 of the *Courts of Justice Act*,  
R.S.O. 1990, c. C.43**

**NOTICE OF APPLICATION**

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing (*choose one of the following*)

- In person
- By telephone conference
- By video conference

at the following location: 330 University Ave., Toronto ON M5G 1R7 on a date to be fixed by the Registrar.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: \_\_\_\_\_ Issued by: \_\_\_\_\_  
Local registrar

Address of court office: 330 University Ave.,  
Toronto ON M5G 1R7

TO: **BLOCK 80 HOLDINGS INC.**  
135 Holmes Avenue  
Toronto, Ontario  
M2J 5B5

AND TO: **ANDRE SHERMAN**  
135 Holmes Avenue  
Toronto, Ontario  
M2J 5B5

AND TO: **2070409 ONTARIO INC.**  
55 Village Centre Place  
Mississauga, Ontario  
L4Z 1V9

## APPLICATION

The Applicant makes an application for an order:

- a) if necessary, abridging the time for and validating the manner of service of the Notice of Application and Application Record in respect of this application and dispensing with further service thereof;
- b) appointing TDB Restructuring Limited as receiver and manager of the Property (as defined below);
- c) granting judgment against the Borrower and the Guarantor (each as defined below) in the amount of \$5,500,000 plus interest, substantially in the form of the Consent Judgment (as defined below);
- d) the costs of this application on a full indemnity basis; and
- e) such further and other relief which this Honourable Court deems appropriate and just.

### THE GROUNDS FOR THE APPLICATION ARE:

#### **A. The Parties**

1. The applicant First Source Financial Management Inc. (the “**Lender**”) is an Ontario corporation in the business of providing mortgage financing and other loans.
2. The respondent Block 80 Holdings Inc. (the “**Borrower**”) is an Ontario corporation in the business of real estate development.

3. Andre Sherman (the “**Guarantor**”) is an individual resident in Ontario and is an officer, director, and shareholder of the Borrower.

**B. The Property**

4. The Borrower owns the real property municipally known as Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario and having the legal description: PIN 58405-0667, Block 80, Plan 51M887, Penetanguishene (the “**Property**”)

5. The Property is the site of a residential apartment building with 18 units (the “**Building**”).

**C. The Loan**

6. On or around April 1, 2021, the Lender completed a mortgage loan transaction (the “**Loan**”) with the Borrower in accordance with a Letter of Commitment dated November 30, 2020 (the “**Commitment Letter**”) issued by First Source Mortgage Corporation (an affiliate of the Lender). The Commitment Letter was subsequently assigned to the Lender.

7. At the time of the Commitment Letter, the Building was not yet complete, and the purpose of the Loan was to fund its construction.

8. The Loan initially contemplated a facility in the amount of the lesser of \$3,285,000 or 65.70% of the appraised value of the Property (as if the Building were complete). The Lender initially advanced \$3,285,000 to the Borrower under the Commitment Letter.

9. Under the Commitment Letter, the annual interest rate for the Loan was:



- (a) During the first 12 months after the interest adjustment date (being January 1, 2023):
  - (i) on advanced funds, the higher of 9.25% or CIBC Prime + 5.80%;
  - (ii) on unadvanced funds, the higher of 6.95% or CIBC Prime + 3.50%;
  - and
- (b) During the final 7 days of the Loan's term, and thereafter, the higher of 18.00% or CIBC Prime + 15.55%.

10. The Commitment Letter contemplated monthly interest-only payments and a repayment of the Loan on maturity, being May 8, 2022. On maturity, the Lender was also entitled to enter into an agreement with the Borrower to extend the maturity date, increase the interest rate or amend any of the Charge (as defined below) registered on title to the Property in favour of the Lender.

11. The Borrower's obligations under the Loan are guaranteed by the Guarantor.

**D. Security for the Loan**

12. The Loan was secured by a first mortgage (the "**Mortgage**") registered on April 6, 2021 against the Property as Instrument No. SC1768805 (the "**Charge**") in favour of the Lender. On January 23, 2023, the Charge was amended with the consent of the Borrower to increase the amount secured to \$5,310,000.

13. The terms of the Charge expressly provide (beginning on page 13) that the Lender has the right to appoint a receiver in the event of a default by the Borrower.

14. There is a second mortgage registered on the Property in favour of 2070409 Ontario Inc. (the “**Second Mortgagee**”).

15. Other security granted by the Borrower to the Lender includes the guarantee described above, a General Security Agreement by which the Borrower granted security to the Lender over its personal property (the “**GSA**”), an assignment of rents in respect of the Property and a promissory note in the amount of the Loan, dated March 30, 2021.

16. The Lender registered a financing statement in respect of the GSA under the *Personal Property Security Act* (Ontario) on or around April 1, 2021.

17. Like the Charge’s terms, the GSA expressly provides that the Lender can appoint a receiver in respect of the Borrower if the Loan is in default.

**E. Loan Amendments**

18. Between March 8, 2022, and September 27, 2023, the Lender, Borrower and the Guarantor executed five increase and amendment agreements in respect of the Loan.

19. The most recent of which, dated September 27, 2023 (the “**Fifth Amending Agreement**”), provided, among other things, that:

- (a) The principal sum of the Loan shall be increased to the lesser of \$4,700,000 or 67.15% of the appraised value of the Property (as if the Building were complete);
- (b) The Maturity Date shall be extended to November 8, 2023; and

- (c) Commencing on September 1, 2023, the annual interest rate shall be the greater of 9.75% or CIBC Prime + 7.05% for amounts advanced and the greater of 6.95% or CIBC Prime + 4.25% for amounts unadvanced. For the final 7 days of the term, and thereafter, the annual interest rate shall be the greater of 18.00% or CIBC Prime + 15.55%.

**F. Forbearance Agreements**

20. In or around October 2023, the Borrower advised the Lender that it would not be able to repay the Loan in full by November 8, 2023, as the Borrower agreed to do under the Fifth Amending Agreement.

21. Accordingly, on November 1, 2023, January 27, 2024 and March 1, 2024, the Lender, the Borrower and the Guarantor executed three forbearance agreements (the “**Forbearance Agreements**”) to provide the Borrower with opportunities to repay the Loan.

22. As part of the forbearance agreement dated November 1, 2023 (the “**First Forbearance Agreement**”), the Borrower and the Guarantor executed consents to:

- (a) Judgment as against the Borrower and the Guarantor in the amount of \$5,500,000 plus applicable interest (the “**Consent Judgment**”); and
- (b) The appointment of a receiver in respect of all the assets, undertakings and properties of the Borrower (the “**Consent to Receiver**” and, together with the Consent Judgment, the “**Consents**”).

23. The Borrower and the Guarantor agreed that the Lender could rely on the Consents in the event of default under the First Forbearance Agreement by the Borrower.

24. The First Forbearance Agreement also further increased the principal amount under the Loan by \$400,000 (all of which was advanced to the Borrower by the Lender) and made certain amendments to the Loan's interest rate.

25. Ultimately, the Lender advanced \$5,100,000 to the Borrower under the Loan.

26. Under the most recent forbearance agreement, dated March 1, 2024 (the "**Third Forbearance Agreement**"), the Lender agreed to forbear from enforcement of the Loan until April 8, 2024 (or an event of default under Third Forbearance Agreement) and the Borrower agreed to repay the Loan by April 8, 2024.

27. The Borrower failed to repay the Loan in full by April 8, 2024 or since and thereby defaulted on the Loan and each of the Forbearance Agreements. Accordingly, the Lender is entitled to rely upon the Consents.

28. Under all the Forbearance Agreements, the Borrower and the Guarantor acknowledged their indebtedness under the Loan.

29. Pursuant to the Third Forbearance Agreement, as of April 1, 2024, the Loan's annual interest rate is the greater of 18.00% or CIBC Prime + 15.30%.

30. As of May 21, 2024, the total amount outstanding under the Loan, inclusive of interest, fees and costs is \$6,002,774.66 (the "**Indebtedness**").

**G. Need for a Receiver**

31. A receiver is urgently required to assist the Borrower in realizing upon its security in the Property. Both the Borrower and the Guarantor specifically agreed to the appointment of a receiver in respect of the Borrower, in the form of the Consent to Receiver, upon default by the Borrower under the First Forbearance Agreement

32. Under the Forbearance Agreements, the Borrower repeatedly recognized its liability to the Lender in respect of the Indebtedness. To date, however, the Borrower has been unable or unwilling to repay the Indebtedness, despite the Lender providing the Borrower with multiple opportunities to do so through the Forbearance Agreements.

33. The Property currently has several residential tenants and, in addition to the lender, the Second Mortgagee has an encumbrance registered on title to the Property. The appointment of a receiver will ensure that enforcement against the Property occurs in an orderly manner for the benefit of all the Borrower's stakeholders.

34. As a result of the Borrower's repeated defaults under the Loan, the Lender is entitled to rely upon the Consent to Receiver. Additionally, the Lender is entitled under the terms of the Charge and the GSA to appoint a Receiver in the event the Loan is in default.

35. TDB Restructuring Limited has consented to its appointment as Receiver, if so appointed.

36. Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

37. Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

38. Rules 14.05, 16.08, 41, and 3.02 of the *Rules of Civil Procedure*; and

39. Such further and other grounds as counsel may advise.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of this Application:

- (a) The affidavit of Kunj Patel, to be affirmed;
- (b) The consent of the Receiver; and
- (c) Such further and other evidence as counsel may advise and this Honourable Court may permit.

May 23, 2024

**Paliare Roland Rosenberg Rothstein LLP**  
155 Wellington Street West, 35th Floor  
Toronto, Ontario M5V 3H1

**Jeffrey Larry (LSO# 44608D)**  
Tel.: (416) 646-4330  
Email: jeff.larry@paliareroland.com

**Ryan Shah (LSO# 88250C)**  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
Applicant

-and-

BLOCK 80 HOLDINGS INC. et al.  
Respondent

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

**NOTICE OF APPLICATION**

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**  
155 Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry** (LSO#44608D)  
Tel: (416) 646-4330  
jeff.larry@paliareroland.com

**Ryan Shah** (LSO# 88250C)  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

# TAB 2



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

**B E T W E E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

- and -

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*,  
R.S.C. 1985, c. B-3, and section 101 of the *Courts of Justice Act*,  
R.S.O. 1990, c. C.43**

**AFFIDAVIT OF KUNJ PATEL**

I, Kunj Patel, of the City of Pickering in the Province of Ontario, SOLEMNLY AFFIRM AS FOLLOWS:

1. I am the Assistant Vice President, Commercial Underwriting, of First Source Financial Management Inc. (the “**Lender**”). As such, I have personal knowledge of the matters set out in this affidavit. Where I do not have personal knowledge, I state the source of my information and I believe it to be true.

**A. *The Parties***

1. The Lender is an Ontario corporation in the business of providing mortgage financing and other loans.

2. I understand that Block 80 Holdings Inc. (the “**Borrower**”) is an Ontario corporation in the business of real estate development.

3. Andre Sherman (the “**Guarantor**”) is an individual resident in Ontario and is an officer, director, and shareholder of the Borrower.

**B. The Property**

4. The Borrower owns the real property municipally known as Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario and having the legal description: PIN 58405-0667, Block 80, Plan 51M887, Penetanguishene (the “**Property**”).

5. I attach copies of the parcel registers for the Property, dated May 28, 2024, to my affidavit as **Exhibit A**.

6. The Property is the site of a residential apartment building with 18 units (the “**Building**”).

**C. The Loan**

7. On April 6, 2021, the Lender completed a mortgage loan transaction (the “**Loan**”) with the Borrower in accordance with a Letter of Commitment dated November 30, 2020 (the “**Commitment Letter**”) issued by First Source Mortgage Corporation (an affiliate of the Lender). The Commitment Letter was subsequently assigned to the Lender. I attach a copy of the Commitment Letter as **Exhibit B**.

8. At the time of the Commitment Letter, I understand that the Building was not yet complete, and the purpose of the Loan was to fund its construction.

9. The Loan initially contemplated a facility in the amount of the lesser of \$3,285,000 or 65.70% of the appraised value of the Property (as if the Building were complete)

advanced across a number of progress draws. The Lender ultimately advanced \$3,285,000 to the Borrower under the Commitment Letter.

10. Under the Commitment Letter, the annual interest rate for the Loan was:

(a) During the first 12 months after the interest adjustment date (being January 1, 2023):

(i) on advanced funds, the higher of 9.25% or CIBC Prime + 5.80%;

(ii) on unadvanced funds, the higher of 6.95% or CIBC Prime + 3.50%;

and

(b) During the final 7 days of the Loan's term, and thereafter, the higher of 18.00% or CIBC Prime + 15.55%.

11. The Commitment Letter contemplated monthly interest-only payments and a repayment of the Loan on maturity, being May 8, 2022. On maturity, the Lender was also entitled to enter into an agreement with the Borrower to extend the maturity date, increase the interest rate or amend any of the Charge (as defined below) registered on title to the Property in favour of the Lender.

12. The Borrower's obligations under the Loan are guaranteed by the Guarantor, by way of a guarantee and postponement of claim executed on March 30, 2021 (the "**Guarantee**"). I attach a copy of the Guarantee to my affidavit as **Exhibit C**.

**D. Security for the Loan**

13. The Loan was secured by a first mortgage (the "**Mortgage**") registered on April 6, 2021 against the Property as Instrument No. SC1768805 (the "**Charge**") in favour of the Lender. On January 23, 2023, the Charge was amended with the consent of the Borrower to increase the amount secured to \$5,310,000. I attach a copy of the Charge to my affidavit as **Exhibit D.**

14. The terms of the Charge expressly provide (beginning on page 13) that the Lender has the right to appoint a receiver in the event of a default by the Borrower.

15. There is a second mortgage registered on the Property in favour of 2070409 Ontario Inc. (the "**Second Mortgage**" and the "**Second Mortgagee**"). I attach a copy of the Second Mortgage to my affidavit as **Exhibit E.**

16. As further security, the Borrower granted to the Lender a General Security Agreement by which the Borrower granted security to the Lender over its personal property (the "**GSA**") and an assignment of rents in respect of the Property. I attach a copy of the GSA to my affidavit as **Exhibit F.**

17. The Lender registered a financing statement in respect of the GSA under the *Personal Property Security Act* (Ontario) on or around April 1, 2021.

18. Like the Charge's terms, the GSA expressly provides that the Lender can appoint a receiver in respect of the Borrower if the Loan is in default.

19. The Lender's lawyer conducted a search of the Personal Property Security Registration system in Ontario against the Borrower and a copy of the search, dated April 18, 2024, is attached as **Exhibit G.**

20. The search against the Borrower indicates that there are no other *PPSA* registrations in respect of the Borrower other than that of the Lender.

21. The Lender's lawyer also conducted an execution search against the Borrower in all 49 Ontario enforcement offices. The search indicated that there are no executions registered against the Borrower as of April 18, 2024. A copy of this search is attached as **Exhibit H.**

***E. Loan Amendments***

22. Between March 8, 2022, and September 27, 2023, the Lender, Borrower and the Guarantor executed five increase and amendment agreements in respect of the Loan.

23. I attach copies of these increase and amendment agreements to my affidavit as **Exhibit I.**

24. The most recent of which, dated September 27, 2023 (the "**Fifth Amending Agreement**"), provided, among other things, that:

- (a) The principal sum of the Loan shall be increased to the lesser of \$4,700,000 or 67.15% of the appraised value of the Property (as if the Building were complete);
- (b) The Maturity Date shall be extended to November 8, 2023; and

- (c) Commencing on September 1, 2023, the annual interest rate shall be the greater of 9.75% or CIBC Prime + 7.05% for amounts advanced and the greater of 6.95% or CIBC Prime + 4.25% for amounts unadvanced. For the final 7 days of the term, and thereafter, the annual interest rate shall be the greater of 18.00% or CIBC Prime + 15.55%.

25. The Lender and Borrower also agreed to two amendments to the Charge, dated April 4, 2022 and January 23, 2023, respectively (the “**Charge Amendments**”). Both of the Charge Amendments were registered on title prior to the Second Mortgage.

26. I attach copies of the Charge Amendments to my affidavit as **Exhibit J**.

27. The effect of the Charge Amendments was to, among other things, increase the Charge’s principal amount to \$5,310,000.

***F. Forbearance Agreements***

28. In or around October 2023, the Borrower advised the Lender that it would not be able to repay the Loan in full by November 8, 2023, as the Borrower agreed to do under the Fifth Amending Agreement.

29. Accordingly, on November 1, 2023, January 27, 2024 and March 1, 2024, the Lender, the Borrower and the Guarantor executed three forbearance agreements (the “**Forbearance Agreements**”) to provide the Borrower with opportunities to repay the Loan. I attach the Forbearance Agreements to my affidavit as **Exhibit K**.

30. As part of the forbearance agreement dated November 1, 2023 (the “**First Forbearance Agreement**”), the Borrower and the Guarantor executed consents to:

- (a) Judgment as against the Borrower and the Guarantor in the amount of \$5,500,000 plus applicable interest (the “**Consent Judgment**”); and
- (b) The appointment of a receiver in respect of all the assets, undertakings and properties of the Borrower (the “**Consent to Receiver**” and, together with the Consent Judgment, the “**Consents**”).

31. The Borrower and the Guarantor agreed that the Lender could rely on the Consents in the event of default under the First Forbearance Agreement by the Borrower.

32. The First Forbearance Agreement also further increased the principal amount under the Loan by \$400,000 (all of which was advanced to the Borrower by the Lender) and made certain amendments to the Loan’s interest rate.

33. Ultimately, the Lender advanced \$5,100,000 to the Borrower under the Loan.

34. Under the most recent forbearance agreement, dated March 1, 2024 (the “**Third Forbearance Agreement**”), the Lender agreed to forbear from enforcement of the Loan until April 8, 2024 (or an event of default under Third Forbearance Agreement) and the Borrower agreed to repay the Loan by April 8, 2024.

35. The Borrower failed to repay the Loan in full by April 8, 2024 or since and thereby defaulted on the Loan and each of the Forbearance Agreements. Accordingly, the Lender is entitled to rely upon the Consents.

36. Under all the Forbearance Agreements, the Borrower and the Guarantor acknowledged their indebtedness under the Loan.

37. Pursuant to the Third Forbearance Agreement, as of April 1, 2024, the Loan's annual interest rate is the greater of 18.00% or CIBC Prime + 15.30%.

38. As of May 21, 2024, the total amount outstanding under the Loan, inclusive of interest, fees and costs is \$6,002,774.66 (the "**Indebtedness**"). I attach a copy of a mortgage discharge statement in respect of the Loan to my affidavit as **Exhibit L**.

**G. Need for a Receiver**

39. A receiver is urgently required to assist the Borrower in realizing upon its security in the Property. Both the Borrower and the Guarantor specifically agreed to the appointment of a receiver in respect of the Borrower, in the form of the Consent to Receiver, upon default by the Borrower under the First Forbearance Agreement.

40. The Property currently has several residential tenants and, in addition to the lender, the Second Mortgagee has an encumbrance registered on title to the Property. Further, I understand that a number of trades have claims against the Borrower in respect of work completed on the Property. The appointment of a receiver will ensure that enforcement against the Property occurs in an orderly manner for the benefit of all the Borrower's stakeholders.



**AFFIRMED** remotely by Kunj Patel at the City of Pickering in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on this 7th day of June, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely



---

Commissioner for Taking Affidavits  
**Ryan Shah (LSO# 88250C)**



DocuSigned by:  
*Kunj Patel*  
3C697F8CE66B410...

---

**Kunj Patel**

This is **Exhibit "A"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)



PARCEL REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 1 OF 2  
 PREPARED FOR RS  
 ON 2024/05/28 AT 11:47:44

LAND  
 REGISTRY  
 OFFICE #51

58405-0667 (LF)

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

PROPERTY DESCRIPTION: BLOCK 80, PLAN 514887, PENETANGUISHENE.

PROPERTY REMARKS:

ESTATE/QUALIFIER:  
 FEE SIMPLE  
 ABSOLUTE

RECENTLY:  
 SUBDIVISION FROM 58405-0586

PIN CREATION DATE:  
 2007/11/14

OWNERS' NAMES  
 BLOCK 80 HOLDINGS INC.

CAPACITY SHARE  
 ROWN

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
<b>** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2007/11/14 **</b>						
SC543793	2007/05/15	CHARGE		*** DELETED AGAINST THIS PROPERTY *** SHERCO PROPERTIES INC.	BANK OF MONTREAL	
SC595670	2007/10/25	NO SUB AGREEMENT		THE CORPORATION OF THE TOWN OF PENETANGUISHENE	SHERCO PROPERTIES INC.	C
SC595671	2007/10/25	POSTPONEMENT		*** DELETED AGAINST THIS PROPERTY *** BANK OF MONTREAL	THE CORPORATION OF THE TOWN OF PENETANGUISHENE	C
REMARKS: SC543793 TO SC595670						
514887	2007/10/25	PLAN SUBDIVISION	\$380,000	SHERCO PROPERTIES INC.	BLOCK 80 HOLDINGS INC.	C
SC1005969	2012/08/22	TRANSFER				
REMARKS: PLANNING ACT STATEMENTS						
SC1005970	2012/08/22	CHARGE		*** COMPLETELY DELETED *** BLOCK 80 HOLDINGS INC.	BONELLO HOLDINGS LIMITED	
SC1005972	2012/08/22	DISCH OF CHARGE		*** COMPLETELY DELETED *** BANK OF MONTREAL		
REMARKS: SC543793.						
SC1097307	2013/11/05	CHARGE		*** COMPLETELY DELETED *** BLOCK 80 HOLDINGS INC.	DEERFIELD DEVELOPMENTS INC.	
SC1097308	2013/11/05	DISCH OF CHARGE		*** COMPLETELY DELETED *** BONELLO HOLDINGS LIMITED		
REMARKS: SC1005970.						
SC1182931	2014/12/17	TRANSFER OF CHARGE		*** COMPLETELY DELETED *** DEERFIELD DEVELOPMENTS INC.	INTERGALACTIC LENDERS LIMITED	
REMARKS: SC1097307.						

027

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
 NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.



LAND REGISTER (ABBREVIATED) FOR PROPERTY IDENTIFIER

PAGE 2 OF 2  
 PREPARED FOR RS  
 ON 2024/05/28 AT 11:47:44

LAND  
 REGISTRY  
 OFFICE #51

58405-0667 (LF)

\* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT \* SUBJECT TO RESERVATIONS IN CROWN GRANT \*

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
SCI1406851	2017/05/03	DISCH OF CHARGE REMARKS: SCI1097307.		*** COMPLETELY DELETED *** INTERGALACTIC LENDERS LIMITED		
SCI1670483	2020/03/26	CHARGE		*** COMPLETELY DELETED *** BLOCK 80 HOLDINGS INC.	DEERFIELD DEVELOPMENTS INC.	
SCI1768805	2021/04/06	CHARGE	\$3,942,000	BLOCK 80 HOLDINGS INC.	FIRST SOURCE FINANCIAL MANAGEMENT INC.	C
SCI1768806	2021/04/06	NO ASSGN RENT GEN REMARKS: SCI1768805		BLOCK 80 HOLDINGS INC.	FIRST SOURCE FINANCIAL MANAGEMENT INC.	C
SCI1769031	2021/04/06	DISCH OF CHARGE REMARKS: SCI1670483.		*** COMPLETELY DELETED *** DEERFIELD DEVELOPMENTS INC.		
SCI1770202	2021/04/09	NOTICE	\$2	THE CORPORATION OF THE TOWN OF PENETANGUISHENE	BLOCK 80 HOLDINGS INC.	C
SCI1770203	2021/04/09	POSTPONEMENT REMARKS: SCI1768805 TO SCI1770202		FIRST SOURCE FINANCIAL MANAGEMENT INC.	THE CORPORATION OF THE TOWN OF PENETANGUISHENE	C
SCI1883937	2022/04/04	NOTICE REMARKS: SCI1768805	\$2	FIRST SOURCE FINANCIAL MANAGEMENT INC.	BLOCK 80 HOLDINGS INC.	C
SCI1958918	2023/01/23	NOTICE REMARKS: SCI1768805	\$2	FIRST SOURCE FINANCIAL MANAGEMENT INC.	BLOCK 80 HOLDINGS INC.	C
SCI1962558	2023/02/10	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** FINE AIR MECHANICAL LTD.		
SCI1967356	2023/03/14	APL DEL CONST LIEN REMARKS: SCI1962558.		*** COMPLETELY DELETED *** FINE AIR MECHANICAL LTD.		
SCI1971266	2023/04/03	CHARGE	\$500,000	BLOCK 80 HOLDINGS INC.	2070409 ONTARIO INC.	C
SCI1971267	2023/04/03	NO ASSGN RENT GEN REMARKS: SCI1971266.RENTS		BLOCK 80 HOLDINGS INC.	2070409 ONTARIO INC.	C

028

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.  
 NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

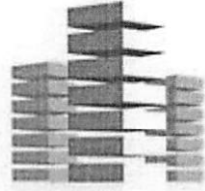
This is **Exhibit "B"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)



FIRST SOURCE  
MORTGAGE CORPORATION

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

November 30, 2020

c/o:

Anders Holteng

By email only: [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario. The site comprises a total area of approximately 1.58 acres, irregular in shape with 281.89 Foot of frontage on Thompsons Road in Penetanguishene. The subject site is zoned and approved to allow for a multiple-residential building containing 40 suites. The Phase 1 proposed development will consist of a 3 storey + 1 elevated basement, multiple unit residential building with 18 suites allowing for 15,000 square feet of above ground rental apartment space and 5,000 square feet of finished basement rental apartment space. The zoning amendment is complete and the site has been granted site plan approval for Phase 1 (18 units) to be built. (Collectively the “Property”).

Dear Sir:

FIRST SOURCE MORTGAGE CORPORATION and its syndicate partner (“**First Source**”, First Source Financial Management Inc. or the “**Lender(s)**”), licensed under the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, is pleased to advise you, **Block 80 Holdings Inc.** (Collectively the “**Borrower**”), that the Borrower’s recent application for a loan to be secured by a first mortgage has been approved subject to the following terms and conditions:

**MORTGAGE DETAILS****ARTICLE 1.00**

- 1.01 Loan Amount:** The lesser of: (i) \$3,285,000 or (ii) 65.70% of the satisfactory Appraised "As-Complete" Value for the subject Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the "Loan" or "Loan Facility").

The initial advance shall be the lesser of: (i) \$650,000 or (ii) 65.00% of the satisfactory Appraised "As-Is" Value for the subject Property. The initial advance shall be inclusive of ~~interest reserve and~~ all fees.

All subsequent advances which follow shall not be more than every 30 days and in amounts of not less than \$250,000, all subject to required holdbacks, against a work in place based on a "cost to complete basis" from a budget prepared by the Borrower and approved by the Lender and its Quantity Surveyor (the "QS").

The Funds are to be advanced against a work in place on a cost to complete basis against monthly draw requests subject to satisfaction of the Conditions Precedent and supported by a recent Project Monitors Report. Each advance shall not be more than every 30 days and in amounts of not less than \$100,000, all subject to required holdbacks, based on a "cost to complete basis" from a budget prepared by the Borrower and approved by the Lender and its Quantity Surveyor (the "QS"). Sub search costs plus disbursements, shall be applicable in addition and a \$500 administration charge will be deducted from each advance. The initial advance shall be made on a date mutually agreed upon by First Source Mortgage Corporation or 5 business days after the Lender confirms the conditions for the Advance have been satisfied or waived (the "First Advance Date") but not later than January 25<sup>th</sup>, 2020.

- 1.02 Interest Rate:** The higher of (i) 9.25% or (ii) CIBC Prime + 5.80% per annum calculated monthly on amounts **advanced** and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 3.50% on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 12 months after the interest adjustment date.

The higher of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. After 12 months and 7 days from the interest adjustment date, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.

This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the "HST Administration Tax"). The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.

The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides

the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

- 1.03 Term:** 12 months plus 7 days from the Interest Adjustment Date PROVIDED, that, notwithstanding anything herein before provided, upon the Maturity Date of the Charge, the Chargee shall be entitled to enter into an agreement with the Chargor to extend the Maturity Date, increase the interest rate or amend any of the other terms of this Charge without the requirement to obtain the postponement of any subsequent encumbrancer to such amendments and any subsequent encumbrancers shall take title to their security subject to this provision and be subordinated to such amendments.
- 1.04 Amortization:** Nil.
- 1.05 Guarantor:** 100% Personal Guarantees from Andre Sherman and any other entities having a beneficial interest in the Property on a joint and several basis (Collectively the "Guarantors"). Guarantees are to be satisfactory to the Lender at its sole and absolute discretion.
- 1.06 Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from the interest reserve.
- 1.07 Interest Adjustment Date:** The 1<sup>st</sup> day of the month following the first advance.
- 1.08 Closing Date:** The initial advance shall be not later than January 25<sup>th</sup>, 2020. If the date of the advance is more than 10 business days past the aforesaid date, this commitment will be at our option, null and void. In the event First Source agrees to an extension of more than 10 business days beyond the date specified, the new rate and any costs attributable thereto, will be subject to the then current market terms and conditions as at that date.
- 1.09 Prepayment Privileges:** Closed for 6 months, and then open on any payment date with 30 days prior written notice and the payment of one month's interest as a bonus or with 60 days' notice and no bonus.
- 1.10 Purpose:** To provide construction financing for the proposed Phase 1 development of a multi-residential 18-unit apartment building, provide a full term of interest reserve, and provide funds for closing and arranging costs.
- 1.11 Security:**
- 1) Promissory Note from the Borrower.
  - 2) First charge on the subject Property in favour of First Source Financial Management Inc. registered at 1.20x the total loan amount.
  - 3) First General Security Agreement ("GSA") against all personal property of the Borrower.
  - 4) Joint and several guarantee and postponement of claims for the full amount of the Loan from all guarantors and any other entities having a beneficial interest in the Property (the "Guarantors")



- 5) First Assignment of all plans, approvals and development information as it relates to the development and construction of the Property throughout the term of the Loan with full copies to be provided to the Lender prior to funding.
- 6) First Assignment of all rents, leases, existing, expected or received throughout the term of the Loan for the Property, if applicable
- 7) First Assignment of Insurance for the Property
- 8) Subordination and Postponement of Claim from shareholders of the Borrower.
- 9) Environmental Indemnity Agreement.
- 10) First Mortgage Instrument to include a covenant of no subsequent financing without written consent of the Lender, which may be unreasonably withheld.
- 11) Cost Overrun and Development and Construction Completion Guarantee and Undertaking signed jointly and severally by the Borrower and Guarantors, agreeing to fund any cost overruns, margin and/or cash flow shortfalls and interest carrying cost in excess of any item not included or in excess of forecasted expenditures from their own resources and to undertake to complete the project.
- 12) The Borrower and Guarantor shall execute a Negative Pledge with respect to Shareholder Loans, Shares, Dividends, interest, fees, charges, expenses or other amounts accruing or owed on loans owing by the Borrower or Guarantor or otherwise compensate or pay any amounts, or permit to be compensated or paid any amounts, to any of the undersigned, the directors, officers, shareholders or employees of the undersigned or any other sponsors of the Property in each case until such time as the Loan has been repaid in full.
- 13) Such other reasonable legal security as requested by the Lender and/or its legal counsel.

## LENDER FEES

### ARTICLE 2.00

**2.01 Lender Fee:** In consideration of First Source obtaining this Commitment, the Borrower hereby agrees to pay a fee (the “Lender Fee”) in the amount of 2.50% of the Loan Amount;

- a) \$25,000 by cheque upon acceptance of this Commitment (the “First Deposit”). The entire First Deposit shall be applied in satisfaction of the Lender Fee or all of the First Deposit shall be forfeited if the Mortgage Amount is not advanced by the Lender due to any cause whatsoever save and except default of the Lender.

Note that the Lender charges certain disbursement costs and administration costs which may total as much as \$1,500 which are non-refundable once a commitment is signed and is typically deducted from the closing proceeds of the Loan or from any commitment deposit.

- b) The balance of the Lender Fee shall be payable from the closing proceeds on the closing date. The Lender Fee is deemed earned upon acceptance and execution of this Commitment. The Lender shall have an interest in the Property for the Lender Fee and if not paid, and if litigation proceedings are commenced, the Lender shall be entitled to a Certificate of Pending Litigation against the Property. The Borrower

acknowledges that the Lender Fee is a reasonable estimate of the Lender's costs incurred in sourcing, investigating and underwriting and preparing the Loan.

- c) In addition to the Lender Fee, the Borrower acknowledges that a fee (the "Consulting Fee") shall be payable to **Anders A. Holteng** of 2.00% of the Loan amount which shall be deducted from the closing proceeds and paid upon closing. Any additional fees payable to any other entity shall be for the account of the Borrower.

#### SOURCE AND USE OF FUNDS

Source of Funds		Use of Funds	
FSMC Loan	\$ 3,285,000	Construction Financing	\$ 2,808,313
		Full Term of Interest Reserve	\$ 303,863
		Closing and Arranging Fees	\$ 172,825
<b>Total</b>	<b>\$ 3,285,000</b>	<b>Total</b>	<b>\$ 3,285,000</b>

\*Any shortfall in required funds to complete construction is to be funded by the Borrower per the Cost Overrun and Development and Construction Completion Guarantee and Undertaking

#### CONDITIONS OF THIS COMMITMENT

##### ARTICLE 3.00

- 3.01 Lender Conditions:** This Commitment is conditional for the benefit of the Lender upon the Borrower providing First Source with satisfactory evidence of the following prior to the advance:
- Appraisal:** Review and approval by the Lender of an appraisal, by the Lender's approved appraiser, addressed to the Lender and its lender clients, or if acceptable to the Lender, a Reliance Letter provided by the appraiser confirming the "As-Complete" Value at not less than **\$5,000,000** for the subject Property. The Appraisal is for the account of the Borrower.
  - Environmental:** Review and approval by the Lender of an Environmental Indemnity Agreement, a current satisfactory Phase I Environmental Report, and if required by the Lender's Environmental Consultant a Phase II Environmental Site Assessment Report. Confirmation of Record of Site Condition is also required (if applicable). All Environmental reports are to be addressed to the Lender and its lender clients, or a Reliance Letter to be provided, by a Lender approved environmental firm.
  - Credit Rating:** Review of the Borrower's financial position including without limiting the generality of the foregoing, recent financial statements, credit bureau reports, notices of assessment, statements of Net Worth. The Borrower and Guarantor hereby consent to credit inquiries and to any disclosure of personal or credit information to any other credit grantors or to any consumer reporting agency.
  - Inspection and Meeting with Principals:** First Source being satisfied with its inspection of the Property and its meeting with the principals of the Borrower. The Borrower hereby agrees to provide access to the Property for initial inspection and any subsequent inspection and at least one of the principals will make him/herself available to meet at the Property.
  - First Source Forms:** The Borrower delivering completed and signed Mortgage Application, Net Worth Statement and Background Check Consent Form on such forms as reasonably required by First Source. If an asset is listed in a Net Worth Statement as being that of the Guarantor and is in fact the property of the Guarantor's spouse, then the guarantee of such spouse shall be required.

- f) **Details of Ownership:** The Borrower delivering details of ownership and (corporate) structure including all beneficial owners and shareholders (as applicable)
- g) **Financial Statements:** Most recent Financial Statements for the borrowing entities. If the borrowing entities hold other real estate other than the subject properties a separate income and expense statement for the properties shall be provided in addition to the financial statements.
- h) **Proforma Rent Roll and Operating Statement:** Receipt and satisfactory review by the Lender of the proforma rent roll and complete operating statements (including line by line breakdown of all revenues and expenses), at the sole and absolute discretion of the Lender.
- i) **Geotechnical Report:** Receipt and satisfactory review of a geotechnical soil report(s) and reliance letter(s) addressed to the Lender.
- j) **Project Drawings:** Receipt and satisfactory review of engineering drawings and architectural drawings
- k) **Building Permits:** Receipt and satisfactory review of building permits including evidence of satisfactory to the Lender, acting reasonably, that any additional required building permits will be issued in time to meet the Project schedule.
- l) **Third Party Contracts:** Receipt and review of all third-party contracts, if applicable.
- m) **Construction and Project Management Contract Review:** Review and approval of construction contracts and project management agreement, if applicable, and satisfactory construction schedule
- n) **Project Completion Schedule:** Satisfactory review and approval of the project completion schedule by the Lender and its Quantity Surveyor / Project Monitor, acting reasonably.
- a) **Budget:** Satisfactory development and construction budget to be approved by the lender (the "Budget") and its Quantity Surveyor / Project Monitor where interest is to be included as a line item satisfactory to Lender and is to be verified. This verification will require full disclosure of all non-arms-length and related parties' fees, commissions, overhead reimbursements and other payments. This budget is to include an acceptable contingency reserve.
- b) **3<sup>rd</sup> Party Cost Consultant:** The Lender shall engage, at the Borrower's expense, the services of a 3rd party cost consultant to vet the reasonableness of the costs of the budget for the development (inclusive of Servicing Infrastructure and Cash in Lieu for Parkland Dedication). All budgeted costs are to be vetted by a 3rd party cost consultant to the sole and absolute satisfaction of the Lender.
- c) **Minimum Fixed Price Contracts:** A minimum of 70% of the Project hard costs are to be covered by executed fixed price contracts. All contracts will be reviewed and approved by the Lender and Project Monitor.
- d) **Progress Advances:** A progress advance report from the Project Monitor which details costs in place and costs to complete with reference to the Lender-approved Project Budget, accompanied by the required Project Monitor certificates, statutory declarations, etc.
- e) **Clear Title Confirmation:** Lender's legal counsel confirming clear title prior to each advance.
- f) **Liens:** The Property is to be free and clear of any liens.

- g) **Insurance Review:** The Lender shall engage, at the Borrower's expense, the services of a 3<sup>rd</sup> party Insurance Consultant to conduct a review of the Insurance Policy for the subject Property to ensure sufficient coverage is provided for the proposed financing.
- h) **Purchase and Sale Agreement:** Receipt and satisfactory review of the original Purchase and Sale Agreement(s) and all amendments thereto as related to the Property
- i) **Discharge Statement(s):** Receipt and satisfactory review of the Discharge Statement(s) of existing encumbrances related to the Property. Existing encumbrances are to be in good standing.
- j) **Other Documents:** Any other documentation realized or required during the due diligence process of underwriting the loan.

**Re: Progress Draws:**

- k) **Liens:** The Property is to be free and clear of any liens;
- l) **No-Default Confirmation:** Confirmation that the Loan has never been in default.
- m) **Title Search:** The Lender's legal counsel confirming clear title prior to each advance.
- n) **Progress Advance:** A progress advance from the Project Monitor which details costs in place and costs to complete with reference to the Lender-approved Project Budget, accompanied by the required Project Monitor certificates, statutory declarations, etc.

## CONDITIONS OF FUNDING

### ARTICLE 4.00

The Lender shall not be obligated to make any loan advances unless the following requirements have been met to the Lender's satisfaction:

- 4.01 **Security in Place:** All security being in place in form and content satisfactory to the Lender, the Borrower and its solicitors acting reasonably;
- 4.02 **Execution of Documents:** The Borrower and Guarantor, if any, executing all documents necessary to give effect to the Mortgage and further including but not limited to the mortgage agreement, which shall contain *inter alia* the provisions, set out in Schedule "A".
- 4.03 **Title:** The Lender being satisfied with the title to the properties and obtaining at the Borrower's expense a satisfactory Title Insurance Policy for the Mortgage.
- 4.04 **Work Orders etc.:** The Lender obtaining satisfactory evidence that there are no outstanding work orders or notices of violations from any governmental departments affecting the Property. The Buildings can be demolished upon application for a Demolition Permit.

- 4.05 Fire:** If required, the Borrower providing the Lender with satisfactory evidence that the Property has no infractions outstanding on file under the appropriate Fire Code.
- 4.06 Costs Borne by the Borrower:** The Borrower paying for all costs incurred by either the Borrower or the Lender including legal, appraisal, insurance consulting as well as other costs that arise in relation to the Loan.
- 4.07 Fire Insurance:** Receipt by the Lender of evidence that proper and adequate insurance is in place, which insurance shall include but not be limited to coverage for less than the full 100% "Replacement Cost" thereof, against the perils of "All Risk". The Borrower's risk advisor to review and ensure policy complies.

Effect and maintain public liability insurance to such amounts of not less than \$5,000,000 on a per-occurrence basis. The Insurer or Insurers shall sign each policy of insurance and the policy shall contain a clause at least equivalent to IBC 3000 showing loss payable the mortgagees as their interest may appear in the first instance.

Each policy of insurance shall show loss payable to the mortgagees as their interest may appear. All insurance policies shall be in form and scope satisfactory to First Source and its solicitors and the premiums on it shall be paid for a period of not less than six months. A third party consultant shall review and approve the policies to their sole satisfaction at the Borrower's cost.

- 4.08 Borrower's Representations:** If, at any time before the advance, there is or has been any material discrepancy or inaccuracy in any written information, statements or representations at any time made or furnished to the Lender by or on behalf of the Borrower/Guarantor, concerning the Borrower's or the Guarantor's financial condition and responsibility, the Lender shall, if such material discrepancy or inaccuracy cannot be rectified or nullified by the Borrower/Guarantor within thirty (30) days of written notification thereof to the Borrower/Guarantors from the Lender, be entitled forthwith to withdraw and cancel its obligations hereunder or decline to advance further funds as the case may be, and to declare any monies theretofore advanced, with interest to be forthwith due and payable.
- 4.09 Material Change:** It is a condition for disbursement of funds that in the Lender's opinion the financial position of the Borrower and/or the Guarantor, and any of the properties given as security, and the Borrower's representations and warranties, shall not have suffered any adverse change; nor shall there be any action, suits, or pending proceedings of which the Borrower has knowledge except as otherwise disclosed to the Lender; and that no event shall have occurred, which materially and adversely affects the whole or part of the value of the properties or the financial position of the Guarantor. No change in the shareholding of the Borrower or Guarantor without the consent of the Lender, such consent not to be unreasonably withheld.
- 4.10 Non-Merger:** The Borrower's obligations contained in this Commitment shall survive the execution and registration of the Mortgage and any other security documentation and all advances of funds under the Mortgage, and the Borrower agrees that those obligations shall not merge in the execution and registration of the Mortgage and other security. All terms and conditions of our Mortgage and other security documentation shall form part of this Commitment.

- 4.11 Waiver:** The Lender's failure to insist upon strict performance of any obligation or covenant of this Commitment by the Borrower or to exercise any option or right herein shall not be a waiver for the future of such obligations or covenant, but the same shall remain in effect and the Lender shall have the right to insist upon strict performance by the Borrower of any and all of the terms of this Commitment and the Mortgage documentation.
- 4.12 Lender's Solicitor:** The Lender being satisfied with the Lender's Solicitor's opinion on title, security and the validity, legality and binding effect of all aspects of this Mortgage transaction. The Borrower agrees that the Lender's solicitors shall prepare all mortgage and other documents related to this Mortgage for review and approval by the Borrower, such approval not to be unreasonably withheld. The Borrower shall have the choice of one of the two solicitors selected by the Lender.
- 4.13 Taxes:** The Borrower prior to the advance or on the date of advance shall pay all taxes due and payable.
- 4.14 Not a Joint Venture:** The Borrower and Lender acknowledge and agree that they are not entering into a joint venture or partnership agreement by virtue of this Loan transaction.
- 4.15 Other Documentation** Any other information, documentation or security reasonably requested by the Lender and its solicitors in assessing, approving and funding of the facility requested.
- 4.16 Identification:** Pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (the "Act"), the Lender is required to ask for identification of the Borrower, the Guarantor and for information with respect to the source of funds, used in connection with the Borrower's equity in the Property. The Borrower and Guarantor hereby covenant and agree to provide prior to the first advance, such identification and information as may be reasonably required to ensure the Lender's compliance with the Act.
- 4.17 Cancellation:** The Lender shall have the right to terminate and cancel its agreement to provide the mortgage herein to the Borrower and shall be relieved of all obligations in connection therewith in the event that the Borrower fails or is unable or unwilling to comply with the terms and conditions of this Commitment letter on or before the Closing Date including failing or refusing to execute documentation requested by the Lender or accepting the funds when advanced.

In the event the Loan is not advanced and the Commitment is terminated, through no fault of the Lender, the Deposit shall not be refundable to the Borrower and may be retained by the Lender as liquidated damages. Notwithstanding the foregoing, the Borrower shall be responsible for and pay the deficiency between the Lender Fee and the Deposit forthwith on demand, unless if caused by the default of the Lender. In addition, no termination of this Commitment shall limit or restrict or otherwise affect in any way: (i) the obligations of the Borrower to pay to the Lender any third party fees, costs and expenses in connection with the Loan; and (ii) any rights and remedies of the Lender against the Borrower arising from any breach of the Commitment by the Borrower including any claim for damages.

It is understood that the Lender has entered into this Commitment based on representations made by the Borrower and, if at any time there is or has been any material discrepancy or inaccuracy in any written or

oral information, statements or representations heretofore or hereafter made or furnished to the Lender by or on behalf of the Borrower concerning the security or the Borrower's financial condition, then the Lender shall be entitled in its sole discretion to withdraw or cancel any obligation hereunder and decline to advance funds and in addition to forfeiture of the Deposit, the Borrower shall be liable to pay 50% of the Lender Fee and all other expenses as hereinbefore set out.

- 4.18 Legal Fees:** The Borrower hereby agrees to pay the reasonable legal fees required by the Lender's Solicitors for the completion of the legal services related to this Mortgage. Disbursements shall be in addition thereto. Borrower to deliver a **\$5,000 retainer** to Lenders lawyer forthwith upon request but not less than 10 business days prior to a targeted closing date. The Borrower shall have the choice of two legal quotations for fees obtained from the solicitors selected by the Lender.
- 4.19 Syndication:** The commitment is conditional upon the success of First Source Mortgage Corporation to syndicate a portion or the entire loan with a Lender (s) to be determined.

## BORROWER'S REPRESENTATIONS

### ARTICLE 5.00

- 5.01 Borrower's Representations:** The Borrower represents and warrants that as of the date of acceptance of this Commitment and as of the Closing Date:
- (i) The Borrower and the Guarantor have the power, capacity and authority to enter into this Commitment and to perform and complete the transaction contemplated herein, all of which have been duly authorized where required by all necessary corporate action and that no consents are necessary;
  - (ii) The Borrower and the Guarantor have not withheld any information of a material nature relating to the Property or to the Borrower or Guarantor;
  - (iii) All existing environmental assessments, audits, tests and reports relating to the Properties within the knowledge of the Borrower have been delivered to the Lender.
  - (iv) To the best of its knowledge and belief, the Properties have no Environmental issues affecting same and a covenant and warranty with respect to same will be delivered to the Lender.
- 5.02 Borrower's Acknowledgments:** The Borrower acknowledges and represents that:
- (i) It has considered the risks entailed in private borrowing and has been informed of the risks involved in the Loan;
  - (ii) The terms and the interest rate in this Commitment may be higher and more onerous than institutional lenders;
  - (iii) It has had an opportunity to consult its legal counsel and accountant or other financial advisors;
  - (iv) If the Lender does not advance the Loan by a certain date, the Borrower may be unable to satisfy the intended purpose for the Loan;

- (v) In the event the Borrower is unable to pay monthly payments, Property taxes, fire insurance premiums or the principal amount when the Loan is due, the Lender could obtain a court judgment and enforce all remedies available by law and income could be seized to pay the judgment or the Lender could keep the Property or sell it.
- (vi) When the Loan is due, if the Lender cannot or will not renew the Loan and cannot pay the outstanding balance the Property may have to be sold in order to repay the Loan; and
- (vii) The Lender has disclosed the material risks of the Loan.
- (viii) It has reviewed the loan with its trusted advisors and has determined the loan to be most suitable for its needs.

**5.03 Reporting Requirements:** The Borrower acknowledges and represents that:

- (i) Within 120 days of each fiscal year during the term of the Loan Facility to provide the Lender with financial statement for the Borrower and the Guarantor.

## MISCELLANEOUS

### ARTICLE 6.00

- 6.01 Survival of the Terms of Commitment:** Notwithstanding the registration of the Mortgage and the advances made pursuant to same, the terms and conditions of this commitment shall remain binding and effective on the parties hereto.
- 6.02 Time is of the Essence:** Time shall be of the essence in this Commitment.
- 6.03 Agreement in Writing:** No change to vary or to amend this Commitment is binding on the Lender unless made in writing and signed by all parties hereto. Except as provided herein, there are no representations, collateral agreements, warranties or conditions affecting this Commitment.
- 6.04 Governing Law:** This Commitment shall be interpreted in accordance with the laws of the Province of Ontario.
- 6.05 Notices:** All notices required or permitted to be given hereunder will be sufficiently given if sent by prepaid registered mail and addressed as follows:

In case of First Source to:  
Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York, Ontario, M2J 5B5  
Attention: **Mr. David Mandel**  
By email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

In the case of the Borrower and the Guarantor to  
135 Holmes Ave  
North York, Ontario, M2N 4M5



Attention: **Mr. Andre Sherman**  
By email: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com)

Provided that the parties shall be entitled to designate another address (es) by giving written notice thereof to all other parties hereof. Any notice so mailed or emailed shall remain binding and effective on the parties hereto.

- 6.06 General Provisions and Independent Legal Advice:** The Mortgage Advance is to be payable to the registered owner of the Property or the encumbrancers who are to be paid out from the Advance. Independent Legal Advice shall be required for any party guaranteeing the Mortgage, consenting to the Mortgage or postponing their interest to the Lender's security.
- 6.07 Facsimile Transmission or Email:** The transmission of an executed copy of this Commitment by facsimile transmission or in "pdf" form by email shall be deemed to constitute execution and delivery of an original executed copy.
- 6.08 Consent to Personal Information as Per Privacy Policy:** By signing this Commitment, the Borrower and Guarantor agree that any information, personal or otherwise, either that the Borrower or Guarantor has provided or will provide to the Lender or that the Borrower has on file about the Borrower and Guarantor shall be retained and may be used as the Lender deems necessary in its sole discretion for the mortgage placement herein, collection of any arrears or deficiencies in the event of a default and any renewals or extensions of same. The Borrower and the Guarantor also agree that the Lender may retain this information on file for as long as the Lender deems appropriate. The Borrower and Guarantor also agree to any credit bureau search being carried out by the Lender from time to time, as the Lender deems necessary in its sole discretion, but no later than 90 days after the Mortgage is discharged.

By signing this Commitment with respect to the Property, the Borrower and Guarantor agrees that the Lender shall have the right to seek any information from any government agency, authority or office whether municipal, provincial or federal, Electric Safety Agency or Technical Safety Standards Agency at any time either before or after the registration of the Mortgage and before and after default with respect to only information on file at the entity about the said Borrower and Guarantor and/or the Property and the Lender shall have the right to retain such information which may be used as the Lender deems necessary in its sole discretion for the mortgage placement herein, collection of any arrears or deficiencies in the event of a default and any renewals or extensions of same. The Borrower and the Guarantor also agree that the Lender may retain this information on file for as long as the Lender deems appropriate, but no longer than 90 days after the Loan Facility is repaid, unless required by governmental legislation. The Borrower and the Guarantor also agree to any and all searches being carried out by the Lender from time to time, as the Lender deems necessary in its sole discretion.

- 6.09 Counterparts:** This Commitment may be executed in counterparts and all counterparts so executed will constitute one agreement binding on the parties effective on execution
- 6.10 Assignment:** The Borrower acknowledges that all or a portion of the Loan may be sold or syndicated without further notice to or consent of the Borrower and the Lender may disclose, transfer and assign as they in their sole discretion deem advisable all financial and other information and materials, without

restriction or notice as follows; (i) to any subsequent or proposed purchaser of the Loan or any subsequent lender and their respective third party advisors; and (ii) to any person in connection with the sale or assignment of the Loan. This Commitment is conditional on a portion of the Loan being satisfactorily assigned and funded. The Borrower also consents to the release, disclosure, exchange and sharing of all information and materials and to any publicity or advertising that refers to the financing. The Lender may sell transfer or assign the Loan or any interest therein from time to time without the consent of the Borrower at no cost to the Borrower. After any such assignment, the Lender shall have no further obligation to that part of the Loan assigned.

- 6.11 Confidentiality:** The Borrower and the Guarantor acknowledge and agree that the terms herein are confidential between themselves and the Lender, their respective lawyers and consultants and agree not to disclose the information herein to any third party without the Lender's prior written consent, which shall not be unreasonably withheld.
- 6.12 Successors and Assigns:** This Commitment and the rights and benefits arising here from may not be assigned by the Borrower to any other party without the prior written approval of the Lender.
- 6.13 Interpretation:** This Commitment shall be read in conjunction with the Lender's form of charge documents and in all cases where the interpretation of the terms hereof and the intention of the parties hereto may be in question, where applicable, the terms recited in the relevant charge document shall prevail.
- 6.14 Erection of Sign:** First Source or its lender clients shall have the right to erect a sign or a sign of others at its expense during the construction period indicating the provision of financing.
- 6.15 Advertising:** The Borrower acknowledges and agrees that First Source shall have the right to use a photo or likeness of the Property in its communication with prospective Borrower and or investors which may include transaction details but no personal information.

This Commitment is open for acceptance by the Borrower and the Guarantor until 5:00 PM on December 4<sup>th</sup>, 2020 by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Commitment is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION



David Mandel – President

I am authorized to bind the corporation.

Principal Broker (License # 10434)

Mortgage Administrator (License # 12594)

[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)

[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

Accepted at Toronto, Ontario this 4th day of December 2020

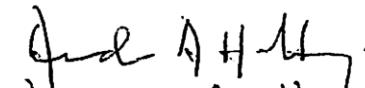


Borrower: Block 80 Holdings Inc.

Per: Andre Sherman, President



Guarantor: Andre Sherman

  
ANDERS A. HOLTENG

Witness Name:

Address: 21 BRIDGEVIEW RD

Tel: 416.604.4165

## SCHEDULE "A"

1. **Post-dated Cheques:** The Borrower shall provide to the Lender post-dated cheques for each year of the term of the Mortgage. Each cheque is to be in the amount of the monthly instalment payable under the Mortgage. The Lender shall have the right to direct the Borrower to deliver one or more separate cheques for each monthly payment totalling the monthly instalment. Alternatively, the Borrower shall provide Pre-Authorized Payments to be drawn from the Borrowers chosen Bank at the Lenders request at any time and shall provide the Lender with all necessary information for this purpose as required. **Post-dated Cheque should be made payable to "First Source Financial Management Inc." unless instructed otherwise.**
2. **Administration Fees:** The Borrower agrees to pay to the Lender an administration fee of \$450.00 for each occurrence of any of the following events. If a default occurs a second time the Administration Fee shall be doubled.
  - a) Late Payment after a demand has been made;
  - b) Cheque Dishonored for any reason;
  - c) Failure to provide proof of payment of realty taxes within 30 days of the 31<sup>st</sup> day of January and June in each year of the term or after a demand being made;
  - d) Failure to provide proof of insurance coverage at least 10 business days prior to the maturity date of the initial policy delivered on Closing or after a demand being made;
  - e) Cancellation of insurance coverage shall be two times the applicable administration Fee and the penalty doubles again in the event the Borrower does not provide proof of reinstatement within 24 hours of notice by the Lender.
  - f) Failure to provide postdated cheques when required after a demand being made;
  - g) Failure to notify Lender of registration of lien;
  - h) Each construction advance;
  - i) Each property inspection relating to a second or further mortgage advance, default, insurance matter or any other matter at lenders sole discretion;
  - j) Request for Mortgage Statement;
  - k) Request for Discharge Statement or notice of default letter;
  - l) Default under any other mortgage, charge or encumbrance;
  - m) Each meeting required by the Borrower or Lender because of an issue that has arisen regarding the Loan Facility;
  - n) Each three telephone attendances and/or emails required by the Borrower or Lender because of an issue that has arisen regarding the Loan Facility;
3. **Holding Over:** In the event that the mortgage loan is not repaid upon maturity, unless the Lender has received at least thirty (30) days' notice and has agreed to an extension in writing and has received approval from its investors the interest rate on the mortgage loan shall continue at 18% compounded and calculated monthly or the that rate set out herein under "Interest Rate" until the earlier of discharge or sale, whichever comes first.
4. **Holding Over Interest Bonus:** If the Loan is not repaid in full on or before the Maturity Date, the Borrower shall be required to pay the Lender an Holding Over Interest Bonus, in addition to any and all other rates, fees, and costs to be paid to the Lender by the Borrower pursuant to this Commitment Letter. More particularly, this

interest bonus shall be earned by and payable to the Lender monthly, in advance, on the first business day of each month and shall be payable at the rate of 0.25% per month, or part thereof, multiplied by the then outstanding Loan Amount (the "Holding Over Interest Bonus"). The Borrower hereby acknowledges that the requirement to pay the Holding Over Interest Bonus does not constitute an extension of the Loan nor is it a penalty or fee but rather additional interest to be added to the final discharge amount of the Loan. If the Loan is not repaid in full by the Maturity Date, the same shall constitute default by the Borrower under the Commitment and Security Documents notwithstanding payment of the Holding Over Interest Bonus. The Borrower further acknowledges that the Lender, at its option, may add the Holding Over Interest Bonus to the outstanding principal balance of the Loan and the Security for the Loan also secures the Holding Over Interest Bonus.

5. **Notice:** The mortgage will be registered and administered on behalf of the Lender by First Source Financial Management Inc., a related company and licensed mortgage administrator.
6. **Tax Deposits:** The Lender reserves the right to require the Borrower to pay monthly tax deposits to the Lender concurrently with each monthly installment in such amounts which the Lender in its discretion deems necessary to pay when due all taxes, assessments and similar charges affecting the Property.
7. **Due on Default:** In the event of default under this Mortgage, beyond an applicable cure period, at the option of the Lender, the full principal balance together with interest and costs on a substantial indemnity basis in relation thereto shall become immediately due and payable.
8. **Due on Sale:** The Borrower and the Guarantor hereby agree that in the event that the Property is sold, conveyed, transferred or assigned or there is a change in control of a corporate Borrower or corporate Guarantor, without Lender's written consent, which consent shall not be unreasonably withheld, the Lender shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Lender immediately due and payable together with the Lender's then current prepayment penalties and fees.
9. **No Subsequent Encumbrances:** The Borrower and the Guarantor hereby agree that in the event that the a subsequent mortgage is placed on the Property without Lender's written consent, which consent shall not be unreasonably withheld, that the Lender shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Lender immediately due and payable together with the Lender's then current prepayment penalties and fees.
10. **Default of Prior Encumbrances:** If at any time or from time to time any default or breach of covenant occurs under any encumbrance registered against the Property and which encumbrance has priority over the Mortgage and which default is not cured within the grace periods permitted, it shall constitute default under the Mortgage and the Lender may pay all monies and take appropriate action to cure any default or breach under any encumbrance.
11. **Costs:** The Borrower covenants and agrees to pay all property tax, public utilities rates, charges, and insurance premiums as and when they become due, to keep all encumbrances and agreements in good standing, comply with all zoning by-laws, standards and work orders and not to permit the existence of any work orders, deficiency notices, letters of compliance or the registration of any liens of any nature or kind; the failure of the Borrower to comply with this covenant shall constitute an event of default hereunder and entitles the Lender

at its sole and absolute discretion to avail itself of remedies available hereunder and at law including the right to accelerate the principal sum secured hereunder together with all accrued interest thereon plus costs.

In addition, at the Lender's sole and absolute discretion, the Borrower agrees that the Lender may satisfy any charge, lien, any matter raised in the previous paragraph or other encumbrances now or hereafter existing or to arise or to be claimed upon the charged lands and the amount so paid together with all costs associated therewith shall be a charge on the Property and/or Collateral Property and shall bear interest at Eighteen (18%) percent per annum, calculated and compounded monthly and shall be payable forthwith by the Borrower to the Lender, and in default of payment, the entire principal sum, accrued interest and costs, shall become payable at the sole and absolute discretion of the Lender and the remedies hereby given and available at law may be exercised forthwith without notice. In the event the Lender satisfying any such charge or claim, it shall be entitled to all equities and securities of the person(s) so satisfied and it may retain any discharge, cessation of charge or assignment of charge unregistered until paid.

12. **Final Payment and Discharge:** The Borrower covenants and agrees that payment at maturity, or earlier if notice to prepay is delivered, of the Mortgage shall be by certified cheque, bank draft or money order. After payment in full of the principal sum and all other amounts hereby provided, a discharge of the Mortgage shall be prepared by the solicitor for the Lender, at the cost and expense of the Borrower within a reasonable time after such payment and such solicitor's fees shall not include attendance outside the office in order to deliver the said discharge or the attendance on a closing or registration of and the cost of registration of the said discharge. In the event the loan is not repaid at the time or times provided within the Mortgage or in the notice to prepay earlier, the Lender will not be required to accept payment of the principal monies without first receiving three (3) months additional months' notice in writing or receiving 3 months interest bonus in advance of the principal monies. No further monies, if any, will be advanced under the Loan, once notice to discharge is received by the Lender.
13. **Warranty - Urea Formaldehyde Foam insulation (UFFI) and Environmental:**  
The Borrower covenants to the best of its knowledge and belief the Property has never had "UREA FORMALDEHYDE FOAM" insulation installed, asbestos, PCBs waste, radioactive material, noxious substances, or any contaminant as defined in the Environment Protection Act and that the Property is and will be environmentally sound and there are no and will be no restrictions which would economically affect any buildings on the Property. The terms and conditions of the environmental clause should be as the Lender's solicitor prepares.
14. **Receiver:** In the event due to default of the Borrower on the Property, beyond the applicable cure period, then the Lender in addition to any other rights which it may have, shall be entitled to appoint a receiver manager or receiver, either privately or court appointed to manage the building and to do all things necessary as an owner would be entitled to do to sell the Property, subject to the terms of the Mortgage and all applicable governmental legislation. The terms and conditions of the receiver are to be further elaborated in the Mortgage as required by the Lender's lawyers.
15. **Management Costs:** In the event that the Lender or its agents takes possession of the Property as a result of default under the Mortgage, or in the event that the Lender or its agents commence Power of Sale proceedings, or if a receivership is commenced as a result of default under the Mortgage, even if the receiver is not yet appointed, the Lender, will be entitled to charge the Borrower for management costs until the earlier of sale of the Property or discharge of the mortgage. Said management costs shall be \$15,000 per month supported

reasonably by documentation for time and expenses to be provided. Hourly rates for a mortgage manager in a defaulted loan is \$1500 per hour plus \$850 per hour for each support staff individual. Borrower acknowledges this is a reasonable estimate for the time value and opportunity costs incurred for managing the Property(s), including but not limited to communicating with investors, dealing with professional advisors, appraisal companies, environmental engineers, building inspector, receiver, legal counsel, attending meetings, checking property taxes, work orders, liens or other matters acting generally in accordance with the requirements of a mortgage manager of a mortgaged property in default which amount is deemed not to be a penalty. **This clause is also deemed to be complete and proper notice to any subsequent charge or lien holder of the above-noted costs and charges in the event of the Borrower's default. Any future chargee that registers a subsequent charge without written permission of the Lender of this mortgage does so knowingly with full disclosure accepting all risks associated with this clause as well as other costs, fees or charges set out in this Schedule "A". It is strongly recommended that all proposed mortgagees seek independent legal advice prior to funding any subsequent mortgage without written permission from the Lender of this Charge.**

16. **Reasonableness of Fees and Charges:** The Chargor acknowledges having received and had explained to it all of the possible fees and charges as set forth in this Charge which would be in addition to principal and interest due hereunder. The Chargor acknowledged and agrees that the fees and charges are reasonable and reflect a pre-estimate of Chargee's actual costs with respect to each of such charges and fees.
17. **Default Abandonment:** Subject to Force Majeure, in the event of abandonment for a period in excess of fifteen (15) consecutive days, the Lender shall be entitled to, after giving the Borrower fifteen (15) days' notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and provided the Borrower fails to rectify same, forthwith withdraw and cancel its obligations hereunder and/or decline to advance further funds, if any, as the case may be and to declare any monies theretofore advanced with interest to be forthwith due and payable at its sole option.
18. **Receipt of Funds:** Any payment received after 1:00 P.M. shall be deemed to have been made on the next Bank Business Day following receipt. For purposes of this paragraph, Saturday, Sunday Provincial and Federal Holidays shall be deemed to be non-business Bank Days.
19. **Possession:** In the event of default under the Mortgage by the Borrower beyond the applicable grace period and the Lender obtains possession of the Property and it determines, in its sole discretion, that the Property requires work and/or improvements in order to market the Property, then the Lender shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and work by the Lender and its agents and all expenses incidental thereto shall be added to the Loan amount, together with a management fee of fifteen per cent (15%) of the costs of the work and improvements completed by the Lender, provided that it is limited to bringing the Property up to the condition it was at the time of the advance, unless work already has been started on a house and it may be completed or in order to sell the property for an amount required to pay out the Lender inclusive of all costs and accrued interest. All costs and expenses, as well as said management fee, shall bear interest at the rate as herein provided for and shall form part of the Loan secured hereunder and the Lender shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of Mortgage principal and Interest hereunder or at law.

This is **Exhibit "C"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)



**GUARANTEE AND POSTPONEMENT OF CLAIM****TO: FIRST SOURCE FINANCIAL MANAGEMENT INC.**

**WHEREAS** FIRST SOURCE FINANCIAL MANAGEMENT INC. (hereinafter called the "Lender") has advanced funds and/or is about to advance funds to BLOCK 80 HOLDINGS INC. (hereinafter called the "Borrower") and in consideration of the Lender's intention to advance the said funds to the Borrower, and the sum of Two Dollars (\$2.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned (hereinafter collectively called the "Guarantor") hereby jointly and severally declare, covenant and agree as follows:

1. In this Guarantee and Postponement of Claim the following words shall have the meaning as indicated opposite such word:

- (a) "Credit" - means financial accommodation of any kind whatsoever.
- (b) "Indebtedness" - means in its broadest sense all obligations of the Borrower to the Lender, alone or with others heretofore or hereafter incurred, whether voluntarily or involuntarily, whether due or not due, whether absolute, inchoate, contingent, liquidated or unliquidated together with interest on each and every such obligation, which shall include without intending to limit the generality of the foregoing, principal, interest and/or costs. Notwithstanding the foregoing, this Guarantee shall relate only to a loan made by the Lender to the Borrower pursuant to a commitment issued by First Source Mortgage Corporation to Andre Sherman on behalf of Block 80 Holdings Inc. dated the 30th day of November, 2020 and any amendments thereto (collectively the "Commitment").

2. Without further authorization from or notice to the Guarantor, you may grant Credit and advance funds to the Borrower from time to time, either before or after revocation hereof, and in such manner, upon such terms and for such times as you deem best, and with or without notice to the Guarantor you may alter, compromise, accelerate, extend or change the time or manner for the payment by the Borrower or by any person or persons liable to you of any Indebtedness hereby guaranteed, increase or reduce the rate of interest thereon, release or add one or more guarantors or endorsers, accept additional or substituted security, or release or subordinate any security. No exercise or non-exercise by you of any right hereby given you, no failure by you to record, complete or otherwise perfect any securities given you by the Borrower or the Guarantor or any person, firm or corporation, no dealing by you with the Borrower or any guarantor or endorser and no change, impairment or suspension of any right or remedy you may have against any person or persons shall in any way affect any of the Guarantor's obligations hereunder or any security furnished by the Guarantor or give the Guarantor any recourse against you.

3. The Guarantor, guarantees unconditionally and promises to pay to you or your order each item of Indebtedness hereby guaranteed, interest thereon, and all costs, charges and expenses which may be incurred by you in respect of any Indebtedness of the Borrower hereby guaranteed or in enforcing this Guarantee against the Guarantor and, promises to perform each guaranteed obligation when due.

4. This shall be a continuing guarantee and shall cover and secure any ultimate balance owing to you, but you shall not be obliged to take any action or exhaust your recourse against the Borrower, any other Guarantor, any other person, firm or corporation, or any securities you may hold at any time nor to value such securities before requiring or being entitled to payment from the Guarantor of all Indebtedness hereby guaranteed. Provided always, this Guarantee shall not be determined or affected or your rights thereunder prejudiced by the discontinuance of this Guarantee as to one or more other Guarantors or by the death or loss or diminution of capacity or cessation of corporate existence, as the case may be, of the Borrower, or by the death or loss or diminution of capacity or cessation of corporate existence, as the case may be, of any other Guarantor.

5. Upon this Guarantee bearing the signature of the Guarantor coming into your hands or the hands of any officer, agent or employee thereof the same shall be deemed to be finally

executed and delivered by the Guarantor and shall not be subject to or affected by any promise or condition affecting or limiting the Guarantor's liability except as set forth herein, and no statement, representation, agreement or promise on the part of any officer, employee or agent of the Lender, unless contained herein, forms any part of this contract or has induced the making thereof or shall be deemed in any way to affect the Guarantor's liability hereunder.

6. No alteration or waiver of this Guarantee or any of its terms, provisions or conditions shall be binding on you unless made in writing over the signature of your duly authorized officers in that regard.

7. Until all Indebtedness hereby guaranteed has been paid in full the Guarantor shall not have any right of subrogation unless expressly given the Guarantor in writing by one of your duly authorized officers in that regard.

8. You shall be at liberty (without in any way prejudicing or affecting your rights hereunder) to appropriate any payment made or moneys received to any portion of the Indebtedness hereby guaranteed whether then due or to become due, and from time to time to revoke or alter any such appropriation, all as you shall from time to time in your uncontrolled discretion see fit.

9. No change in the name, objects, share capital, business, membership, directorate powers, organization or management of the Borrower shall in any way affect the obligations of the Guarantor, either with respect to transactions occurring before or after any such change, it being understood that where the Borrower is a partnership or corporation this Guarantee is to extend to the person or persons or corporation for the time being and from time to time carrying on the business now carried on by the Borrower notwithstanding any change or changes in the name or membership of the Borrower's firm or in the name of the Borrower, and notwithstanding any reorganization of the Borrower, or its amalgamation with another or others or the sale or disposal of its business in whole or in part to another or others.

10. Where the Borrower is a corporation or partnership or an entity, you shall not be concerned to see or inquire into the powers of the Borrower or its directors, partners or agents acting or purporting to act on its behalf, and Credit in fact obtained from you in the professed exercise of such powers shall be deemed to form part of the Indebtedness hereby guaranteed even though the borrowing or obtaining of such Credit was irregularly, fraudulently, defectively or informally effected, or in excess of the powers of the Borrower or of the directors, partners or agents thereof. The Guarantor warrants and represents that it is fully authorized by law to execute this Guarantee of Credit to be granted to the Borrower.

11. The statement in writing of any of your authorized officers from time to time of the Indebtedness of the Borrower to you and covered by this Guarantee shall be received as prima facie evidence as against the Guarantor that such amount is at such time so due and payable to you and is covered hereby.

12. All indebtedness, present and future, of the Borrower to the Guarantor is hereby assigned to you and postponed to the present and future Indebtedness of the Borrower to you and all moneys received from the Borrower or for his account by the Guarantor shall be received in trust for you, and forthwith upon receipt, paid over to you until the Borrower's Indebtedness to you is fully paid and satisfied, all without prejudice to you and without in any way limiting or lessening the liability of the undersigned to you under this Guarantee. If the Borrower is a Corporation, a partnership and/or a Joint Venture of which the Guarantor is a member or shareholder, the Guarantor will not without the prior written consent of one of your duly authorized officers withdraw any capital of the Guarantor invested with the Borrower.

13. Upon the bankruptcy or winding up or other distribution of assets of the Borrower or any surety or guarantor for any Indebtedness of the Borrower to you, your rights shall not be affected or impaired by your omission to prove your claim or to prove your full claim and you may prove such claim as you see fit and may refrain from proving any claim, and in your discretion you may value as you see fit or refrain from valuing any security or securities held by you without in any way releasing, reducing or otherwise affecting the Guarantor's liability to you and until all Indebtedness of the Borrower to you has been fully paid to you, you shall have the right to

include in your claim the amount of all sums paid by the Guarantor to you under this Guarantee and to prove and rank for such sums paid by the Guarantor and to receive the full amount of all dividends in respect thereto being hereby assigned and transferred to you. The Guarantor shall be released from liability if recovered from the Borrower, any other Guarantor or any other person becomes barred by any Statute of Limitations or is otherwise prevented.

14. The Guarantor will file all claims against the Borrower in any bankruptcy or other proceeding in which the filing of claims is required by law upon any Indebtedness of the Borrower to the Guarantor and will assign to you all of the Guarantor's rights thereunder. If the Guarantor does not file any such claim, you, as attorney in fact of the Guarantor, are hereby authorized to do so in the name of the Guarantor or in your discretion to assign the claim to and cause proof of claim to be filed in the name of your nominee. In all such cases, whether in administration, bankruptcy, or otherwise, the person or persons authorized to pay such claim shall pay to you the full amount payable on the claim in the proceeding before making any payment to the Guarantor, and to the full extent necessary for that purpose the Guarantor hereby assigns to you all the Guarantor's right to any payments or distributions to which the Guarantor otherwise would be entitled. If the amount so paid is greater than the guaranteed obligations then outstanding, you will pay the amount of the excess to the party entitled thereto.

15. All your rights, powers and remedies hereunder and under any other agreement now or at any time hereafter in force between you and the Guarantor shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to you by law and, without restricting the generality of the foregoing, if you hold one or more guarantees executed by the Guarantor relating to Credit extended to the Borrower by you, the amount of the Guarantor's liability imposed by such other guarantee or guarantees shall be added to the amount of the Guarantor's liability imposed by the provisions hereof and the resulting total shall be the amount of the Guarantor's liability.

16. The Guarantor shall pay to you on demand (in addition to all debts and liabilities of the Borrower hereby guaranteed) all costs, charges and expenses (including without limitation, lawyer's fees as between Solicitor and his own client basis) incurred by you for the preparation, execution, perfection and enforcement of this Guarantee and of any securities collateral thereto, together with interest calculated from the date of payment by you of each such costs, charges and expenses until payment by the Guarantor hereunder.

17. In case of default you may maintain an action upon this Guarantee whether or not the Borrower is joined therein or separate action is brought against the Borrower or judgment obtained against him. Your rights are cumulative and shall not be exhausted by the exercise of any of your rights hereunder or otherwise against the Guarantor or by any number of successive actions until and unless all Indebtedness hereby guaranteed has been paid and each of the Guarantor's obligations hereunder has been fully performed.

18. If any provision of this Guarantee is determined in any proceeding by a Court of Jurisdiction to be invalid or to be wholly or partially unenforceable, that provision shall, for the purposes of such a proceeding, be severed from this Guarantee at the Lender's option and shall be treated as not forming a part hereof and all the remaining provisions of this Guarantee shall remain in full force and shall be unaffected thereby.

19. Any notice or demand which you may wish to give may be served on the Guarantor either personally or on his legal personal representative or in the case of a corporation on an officer of the corporation, or by sending the same by registered mail in an envelope addressed to the last known place of address of the person to be served as it appears on your records, and the notice so sent shall be deemed to be served on the second business day following that on which it is mailed.

20. This Guarantee shall be construed in accordance with the laws of the Province of Ontario and in any action thereon the Guarantor shall be estopped from denying the same; any judgment recovered in the Courts of such Province against any Guarantor or his heirs, executors, administrators, legal personal representatives, successors and/or assigns shall be binding on him and them.

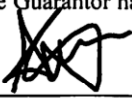
21. Any word herein contained importing the singular number shall include the plural and any word importing the masculine gender shall include the feminine gender and any word importing a person shall include a corporation, partnership, firm and any entity.

22. In the event of your making a demand upon the undersigned upon this Guarantee the undersigned shall be held and bound to you directly as principal debtor in respect of the payment of the amounts hereby guaranteed.

23. This Guarantee and agreement on the part of the Guarantor shall extend to and enure to your benefit and the benefit of your successors and assigns and shall be binding on the Guarantor and his heirs, executors, administrators, legal personal representatives, successors and assigns.

IN WITNESS WHEREOF the Guarantor has hereto set her hand and seal, this 30th day of March, 2021.

John Walker  
Witness:

  
\_\_\_\_\_  
Andre Sherman

This is **Exhibit "D"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

054

LRO # 51 Charge/Mortgage

Received as SC1768805 on 2021 04 06 at 13:07

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 30

**Properties**

**PIN** 58405 - 0667 LT **Interest/Estate** Fee Simple  
**Description** BLOCK 80, PLAN 51M887, PENETANGUISHENE.  
**Address** THOMPSON RD WEST  
 PENETANGUISHENE

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

**Name** BLOCK 80 HOLDINGS INC.  
**Address for Service** 135 Holmes Avenue  
 Toronto, Ontario  
 M2N 4M5

I, ANDRE SHERMAN, AUTHORIZED SIGNING OFFICER, have the authority to bind the corporation.  
 This document is not authorized under Power of Attorney by this party.

**Chargee(s)****Capacity****Share**

**Name** FIRST SOURCE FINANCIAL MANAGEMENT INC.  
**Address for Service** 2235 Sheppard Avenue East  
 Suite 1202  
 Toronto, Ontario  
 M2J 5B5

**Statements**

Schedule: See Schedules

**Provisions**

<b>Principal</b>	\$3,942,000.00	<b>Currency</b>	CDN
<b>Calculation Period</b>	See Schedule		
<b>Balance Due Date</b>	2022/05/08		
<b>Interest Rate</b>	18% per annum		
<b>Payments</b>			
<b>Interest Adjustment Date</b>	2021 05 01		
<b>Payment Date</b>	1st day of each month		
<b>First Payment Date</b>	2021 06 01		
<b>Last Payment Date</b>	2022 05 08		
<b>Standard Charge Terms</b>	200033		
<b>Insurance Amount</b>	Full insurable value		
<b>Guarantor</b>	Andre Sherman		

**Signed By**

Cheryl Lynn Moore 5000 Yonge Street, 10th Floor acting for Signed 2021 04 06  
 Toronto Chargor(s)  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

CHAITONS LLP 5000 Yonge Street, 10th Floor 2021 04 06  
 Toronto  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

**055**

LRO # 51 **Charge/Mortgage**

Received as **SC1768805** on 2021 04 06 at 13:07

*The applicant(s) hereby applies to the Land Registrar.*

yyyy mm dd Page 2 of 30

**Fees/Taxes/Payment**

Statutory Registration Fee	\$65.30
Total Paid	\$65.30

**File Number**

Chargee Client File Number : 67108

Page 1

THIS IS A SCHEDULE TO A CHARGE/MORTGAGE between BLOCK 80 HOLDINGS INC. (the "Chargor") and FIRST SOURCE FINANCIAL MANAGEMENT INC., as Chargee (the "Chargee") relating to the lands and premises being legally described on Page 1 of the Charge/Mortgage to which this Schedule is attached and being 61 Thompson Street West, Town of Penetanguishene (PIN 58405-0667 (LT), Town of Penetanguishene (the "Lands") as guaranteed by Andre Sherman.

#### **STANDARD CHARGE TERMS**

The terms contained in this schedule are in addition to the terms contained in Standard Charge Terms 200033. In the event of any conflict between the terms contained in this schedule and those contained in the Standard Charge Terms, the terms contained in this schedule shall, to the extent of the conflict, prevail.

#### **SHORT FORMS OF MORTGAGES ACT**

If any of the forms of words contained herein are also contained in Column One of Schedule B of the *Short Forms of Mortgages Act*, R.S.O. 1980, Ch. 474 ("SFMA") and distinguished by a number therein, this Charge shall be deemed to include and shall have the same effect as if this Charge contained the form of words in Column Two of Schedule B of the SFMA distinguished by the same number, and this Charge shall be interpreted as if the SFMA was still in full force and effect. The provisions of this Charge and its short form clauses shall not derogate from the Chargee's rights under the long clause in the SFMA which shall be in addition thereto or in substitution for part of parts thereof as the Chargee may elect and all shall have the force of covenant.

#### **CHARGE**

Upon the request of the Chargee, the Chargor hereby gives this Charge and charges the property secured hereby as security for full payment to the Chargee of the principal amount, interest and all other amounts payable hereunder and as security for the observance and performance of all of the obligations of the Chargor to the Chargee pursuant to this Charge and the Commitment as hereinafter defined.

#### **ADDITIONAL PROVISIONS**

##### **PAYMENT PROVISIONS**

Provided this Charge to be void upon payment at the office of the Chargee at Toronto, Ontario of THREE MILLION NINE HUNDRED AND FORTY-TWO THOUSAND (\$3,942,000) DOLLARS of lawful money of Canada (the "Loan") together with interest thereon as hereinafter set forth, as well after as before maturity and both before and after default as follows:

For the period up to and including April 30th, 2022, interest calculated monthly, not in advance, at the rate of Eighteen (18%) per cent per annum on the amount outstanding from time to time shall become due and be payable monthly on the 1st day of each and every month in each and every year commencing on the 1st day of June, 2021 to and including the 1st day of April, 2022. The first payment of interest is to be computed from the 1st day of May, 2021 on the amount outstanding from time to time, to become due and payable on the 1st day of June, 2021.

For the period from and including May 1st, 2022, INTEREST calculated daily and compounded monthly, not in advance, at the rate of the greater of 18% per annum or the rate per annum which is 15.55 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be adjusted as to fluctuations in such prime commercial lending rate from time to time, as well after as before maturity and both before and after default.



Page 2

The balance of Three Million Nine Hundred and Forty-Two Thousand (\$3,942,000) Dollars, together with interest thereon at the rate of the greater of 18% per annum or the rate per annum which is 15.55 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, together with accrued and unpaid interest and costs shall become due and be payable on the 8<sup>th</sup> day of May, 2022.

And taxes and performance of Statute Labour; and observance and performance of all covenants, provisos and conditions herein contained.

#### **STANDBY FEE**

In addition to the interest payable as above noted, the Chargor shall pay to the Chargee a standby fee (the "Standby Fee") in Canadian Dollars at the rate per annum which is the greater of 6.95% per annum or the rate per annum which is 3.50 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time on loans made in Canadian funds to its most favoured commercial borrowers on the daily unadvanced portion of the sum of \$3,285,000. The Standby Fee will be determined daily beginning on the date of the first advance hereunder, and will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and will be payable by the Chargor monthly in arrears by way of the Chargee deducting same from the interest reserve pursuant to this loan until such interest reserve is fully utilized in accordance with its terms and thereafter the Chargor shall pay the Standby Fee from its own resources.

#### **AUTOMATIC RENEWAL**

In the event that the Chargor fails to repay the principal and interest outstanding on the Maturity Date or fails to accept a renewal offer tendered by the Chargee (for any reason not attributable to the Chargee) within 10 business days of the Maturity Date, then the Chargee may at its sole option, automatically renew this charge for a period of one month from the Maturity Date, at an interest rate equal to the greater of Eighteen (18%) per cent per annum or the rate per annum which is 15.55 per centage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time on loans made in Canadian funds to its most favoured commercial borrower, which interest shall be adjusted as to fluctuations in such prime lending rate from time to time, calculated daily and payable monthly. In the event that the renewal has not been finalized within this one month period, then there will be no further extensions, and the Chargee may exercise its remedies under this Charge. The Chargee shall not be obligated to offer any renewal. All other terms and covenants under the existing Charge shall continue to apply. The Charge may be paid in full at any time during the one month renewal period. "Business day" shall mean any day on which Canadian Imperial Bank of Commerce is open for business in Toronto, Ontario, not including Saturdays and Sundays and statutory holidays in Ontario.

For greater clarity, in the event that the Loan is not repaid upon maturity, unless the Chargee has received at least thirty (30) days' notice and has agreed to an extension in writing and has received approval from its investors to extend the Maturity Date of the Loan and the terms of such extension have been agreed upon by the Chargor and Chargee, the interest rate on the Loan shall continue at the greater of 18% per annum or the rate per annum which is 15.55 per centage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time on loans made in Canadian funds to its most favoured commercial borrower, which interest shall be adjusted as to fluctuations in such prime lending rate from time to time, calculated and compounded daily until the earlier of discharge or sale, whichever occurs first.

#### **WARNING TO SUBSEQUENT ENCUMBRANCERS**

**PROVIDED that, notwithstanding anything hereinbefore provided, on, before or after the Maturity Date of the Charge, the Chargee shall be entitled to enter into an agreement with the Chargor to extend the Maturity Date, amend and/or increase the interest rate provided for herein or amend any of the other terms of this Charge without the requirement of**

Page 3

**obtaining the postponement of any subsequent encumbrancer to such amendments and any subsequent encumbrancers shall take/hold title to their security subject to this provision and be subordinated to such amendments.**

**This clause is deemed to be complete and proper notice to any subsequent charge or lien holder of the costs and charges set out herein, including those in the event of the Chargor's default. Any future chargee that registers a subsequent charge does so knowingly with full disclosure accepting all risks associated with this clause as well as other costs, fees or charges set out in this Charge. It is strongly recommended that all proposed mortgagees seek independent legal advice prior to funding any subsequent mortgage.**

#### **COMPOUND INTEREST**

And it is hereby agreed that in case default shall be made in payment of any sum to become due for interest at any time appointed for payment thereof as aforesaid, compound interest shall be payable and the sum in arrears for interest from time to time, as well after as before maturity, shall bear interest at the applicable rates aforesaid, and in case the interest and compound interest are not paid in one (1) month from the time of default a rest shall be made, and compound interest at the rates aforesaid shall be payable on the aggregate amount then due, as well after as before maturity, and so on from time to time, and all such interest and compound interest shall be added to the said Principal Balance.

#### **FORBEARANCE AGREEMENT(S)**

In the event that as a result of a default by the Chargor hereunder and the Chargee, in its sole and unfettered discretion, without requirement to do so, enters into a Forbearance Agreement with the Chargor, on terms and conditions solely satisfactory to the Chargee, to extend the time for any payment due hereunder or the time for repayment of the Loan secured hereby or both, then any fee charged with respect to such Forbearance Agreement shall be secured hereunder in priority to any subsequent encumbrances with respect to the Lands secured hereunder and **any subsequent encumbrancers shall take/hold title to their security subject to this provision and be subordinated to such terms and fees due pursuant to such Forbearance Agreement.**

#### **HOLDING OVER INTEREST BONUS**

If the Charge is not repaid in full on or before the Maturity Date, the Chargor shall be required to pay to the Chargee a Holding Over Interest Bonus, in addition to any and all other rates, fees and costs to be paid to the Chargee by the Chargor pursuant to the Commitment or this Charge. More particularly, this interest bonus shall be earned by and be payable to the Chargee monthly, in advance, on the first business day of each month, including the month in which the Maturity Date occurs and shall be payable at the rate of 0.25% per month, whether a partial month or whole month, multiple by the then outstanding amount secured by this Charge (the "Holding Over Interest Bonus"). The Chargor hereby acknowledges that the requirement to pay the Holding Over Interest Bonus does not constitute an extension of the Maturity Date of the Charge. If the Charge is not repaid in full by the Maturity Date, then subject to the preceding Section re. Automatic Renewal, the same shall constitute a default by the Chargor under the Commitment and this Charge notwithstanding payment of the Holding Over Interest Bonus. The Chargor further acknowledges that the Chargee, at its option, may add the Holding Over Interest Bonus to the outstanding principal amount secured by this Charge and that this Charge also secures any Holding Over Interest Bonus outstanding and any subsequent encumbrancers shall take/hold title to their security subject to this provision and be subordinated to such Holding Over Interest Bonus.

**The Chargor and any subsequent encumbrancer by registering their security, acknowledges and agrees that the Holding Over Holding Interest Bonus is a genuine pre-estimate of the value of the services performed for same and is not a penalty or additional interest on the Loan secured by this Charge.**

#### **ADDITIONAL PROVISIONS**

For the purpose of this Charge/Mortgage, the terms "Charge", "Chargor" and "Chargee" shall

Page 4

also mean "Mortgage", "Mortgagor" and "Mortgagee", respectively.

#### **FEEES AND COSTS**

The Chargor agrees to pay to the Chargee an administration fee of \$450 plus HST for each occurrence of the following events (provided that if the following events, which are due to a default, occur more than one time, thereafter the administration fee for each event shall be \$700 plus HST per occurrence):

- (a) Late Payment;
- (b) Cheque dishonoured for any reason;
- (c) Failure to provide proof of payment of realty taxes within 30 days of the 31<sup>st</sup> day of January and the 30<sup>th</sup> day of June in each year of the term of this Charge or after a demand being made;
- (d) Failure to provide proof of insurance coverage at least 10 business days prior to the maturity date of the initial policy delivered on the initial advance or any subsequent policy delivered pursuant to this Charge and after a demand being made;
- (e) Cancellation of insurance coverage shall be two times the applicable administration Fee and the administration fee doubles again in the event the Chargor does not provide proof of reinstatement within 24 hours of notice by the Chargee;
- (f) Failure to provide post-dated cheques when required after a demand has been made;
- (g) Failure to notify the Chargee of registration of a lien within 10 days of registration of same;
- (h) Requests for Mortgage Statement;
- (i) Request for discharge statement or notice of default letter;
- (j) Default under any other mortgage, charge or encumbrance with respect to the property secured hereby;
- (k) Each meeting required by the Chargor or Chargee because of an issue that has arisen regarding the Loan secured hereby;
- (l) Each three telephone attendances and/or emails required by the Chargor or Chargee because of an issue that has arisen regarding the Loan secured hereby.
- (m) Each construction advance;
- (n) Each property inspection relating to a second or further mortgage advance, default, insurance matter or any other matter, at Chargee's sole discretion;
- (o) After a request for discharge, a discharge statement administration fee.

The Chargor agrees to pay all legal and other expenses incurred by the Chargee in connection with the preparation and registration of any security interests pursuant to the Personal Property Security Act, and any renewals thereof, forthwith upon demand and such fees and expenses, together with interest thereon at the interest rate charged hereunder shall be added to the principal sum secured by the within Charge if not paid by the Chargor.

#### **SERVICE FEES AND FORBEARANCE FEES AND COSTS**

Any service or administration fee as set out above, including any forbearance fees and costs owing by the Chargor to the Chargee which are not paid shall be added to the mortgage indebtedness and shall bear interest at the rates herein set forth calculated from the date such fees and costs became due and payable.

**The Chargor acknowledges and agrees that the service fees and administration fees and costs provided for herein are a genuine pre-estimate of the value of the services performed for same and are not a penalty or additional interest on the Loan secured by this Charge.**

#### **NON-MERGER**

Notwithstanding the registration of this Charge and the advance of funds hereunder, the terms and provisions of the Commitment addressed to Andre Sherman on behalf of Block 80 Holdings Inc. as Borrower issued by First Source Mortgage Corporation dated the 30th day of November, 2020 as same may be amended (collectively the "Commitment") shall remain binding and effective upon the parties and shall not merge on the execution and registration of this Charge

Page 5

and other security. It is understood and agreed that any default under the said Commitment shall be deemed a default under this Charge. In the event of an inconsistency between the terms of this Charge and the terms of the Commitment or the interpretation of the terms of the Commitment, the terms of this Charge shall prevail.

The Chargor acknowledges that the terms and provisions of the Commitment are not exhaustive. The Chargor acknowledges that any provision contained in this Charge or any of the other Security Documents, which are not dealt with in the Commitment or which expand and elaborate on provisions in the Commitment shall be deemed not to be an inconsistency or in conflict with the provisions of the Commitment.

#### **POSSESSION UPON DEFAULT**

Upon default in payment of principal or interest under this Charge or in performance of any of the terms and conditions hereof, the Chargee may enter into and take possession of the land hereby charged, free of all manner of former conveyances, mortgages, charges or encumbrances without the let, suit, hindrance, interruption or denial of the Chargor or any other person whatsoever.

#### **PAYMENTS**

ANY DISCHARGE of this Charge shall be prepared by the Chargee at the Chargor's expense.

All payments hereunder shall be made to the Chargee at:

First Source Financial Management Inc.  
2235 Sheppard Avenue East, Suite 1202  
Toronto, Ontario  
M2J 5B5

or such other place as the Chargor is notified of from time to time.

All payments received after 1:00 p.m. shall be deemed to have been made on the next "Bank Business Day" following receipt. For the purposes of this Charge, Saturday, Sunday, Provincial and Federal Holidays shall be deemed to be non-Bank Business Days.

All payments payable hereunder to the Chargee shall be payable at par in lawful money of Canada at such place as the Chargee or other holder of the Charge shall designate in writing from time to time.

In the event that any of the monies secured by this Charge are forwarded to the Chargee by mail, payment will not be deemed to have been made until the Chargee has actually received such monies and the Chargor shall assume and be responsible for all risk of loss or delay.

The Chargor acknowledges and agrees that any payments made to discharge the said Charge to the Chargee's Solicitors or any other authorized agents of the Chargee shall not be deemed to constitute payment received by the Chargee until the same is received by the Chargee at its offices as set out above.

#### **ENVIRONMENTAL**

The Chargee or agent of the Chargee may, at any time, before and after default, and for any purpose deemed necessary by the Chargee, enter upon said lands to inspect the land and buildings thereon. Without in any way limiting the generality of the foregoing, the Chargee (or its respective agents) may enter upon the said lands to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Chargee and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the mortgage rate, shall be payable by the Chargor forthwith and shall be a charge upon the said lands. The exercise of any of the powers enumerated in this clause shall not deem the Chargee, or its respective agents to be in possession, management or control of the said lands and buildings.

Page 6

In consideration of the advance of funds by the Chargee, the Chargor and the Guarantor hereby agree that, in addition to any liability imposed on the Chargor and Guarantor under any instrument evidencing or securing the Loan indebtedness, the Chargor and Guarantor shall be jointly and severally liable for any and all of the cost, expenses, damages, or liabilities of the Chargee, its directors and officers (including, without limitation, all reasonable legal fees) 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 property secured hereby (the "Property") of any hazardous or noxious substances and such liability shall survive foreclosure of the security for the Loan and any other existing obligations of the Chargor and Guarantor to the Chargee in respect of the Loan and any other exercise of any remedies available to them of any default under the Charge.

The Chargor hereby indemnifies the Chargee, its officers, directors, employees, agents and its shareholders and agrees to hold each of them harmless from and against any and all losses, liabilities, damages, costs, expenses and claims of any and every kind whatsoever which at any time or from time to time may be paid, incurred or asserted against any of them for, with respect to, or as direct result of, the presence on or under, or the discharge, emission, spill or disposal from, the Property or into any land, the atmosphere, or any watercourse, body of water or wetland, of any Hazardous Material where it has been proven that the source of the Hazardous Material is the Property (including, without limitation: (i) the costs of defending any/or counterclaiming over against third parties in respect of any action or matter; and (ii) any cost, liability or damage arising out of a settlement of any action entered into by the Chargee; and the provisions of and undertakings and indemnification set out in this Section shall survive the satisfaction and release of the Security Documents as hereinafter defined and payment and satisfaction of the mortgage and liability of the Chargor to the Chargee pursuant to this Agreement. The indemnity contained herein in favour of the Chargee shall enure to the benefit of the Chargee's successors and assignees of the Security Documents. For the purposes of this Section "Hazardous Material" means any contaminant or pollutant or any substance that when released in the natural environment is likely to cause at some immediate or future time, material harm or degradation to the natural environment or material risk to human health and without restricting the generality of the foregoing, hazardous waste or dangerous goods as defined by applicable federal, provincial or municipal laws for the protection of the natural environment or human health.

The indemnity contained herein shall survive the repayment of the mortgage and shall continue in full force and effect so long as the possibility of any such liability, claim or loss exists.

#### **BREACH OF COVENANT**

A breach of any covenant contained in this Charge shall constitute a default hereunder and at the option of the Chargee, it may avail itself of the remedies contained in this Charge or available at law.

#### **SEVERABILITY**

If any covenant, obligation or provision contained in this Charge, or the application thereof to any person or circumstance, shall, to any extent, be invalid or unenforceable, the remainder of this Charge or the application of such covenant, obligation or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each covenant, obligation or provision of this Charge shall be separately valid and enforceable to the fullest extent permitted by law.

#### **CONFLICT/AMBIGUITY**

Where conflict or ambiguity exists or arises between any one or more of the provisions contained in this Schedule and any one or more of the provisions contained in the Standard Charge Terms, the provisions contained in this Schedule shall, to the extent of such conflict or ambiguity, be deemed to govern and prevail.

Page 7

## COLLECTION OF RENTS

Notwithstanding anything to the contrary contained within the Standard Charge Terms, in the event that the Chargee collects any payments of rent due to the Chargor's default, the Chargee shall be entitled to receive from such rent a management fee of ten percent (10%) of all the gross receipts from such rent, it being understood for greater certainty that the Chargor and Chargee have agreed that in the circumstances a management fee equal to ten percent (10%) of gross receipts received by the Chargee in the collection of such rents is a just and equitable fee having regard to the circumstances.

## MANAGEMENT FEE

In the event that the Chargee or its agents takes possession of the property secured hereby as a result of default under the Charge, or in the event that the Chargee or its agents commence Power of Sale proceedings, or if a receiver is appointed as a result of default under this Charge, the Chargee will be entitled to a Management of \$15,000 per month supported reasonably by documentation for time and expenses to be provided. Hourly rates for a mortgage manager in a default loan is \$1,500 per hour plus \$850 per hour for each support staff individual, which fee the Chargor acknowledges is a reasonable estimate of the fees to be incurred for the time value and opportunity with investors, dealing with professional advisors, appraisal companies, environmental engineers, building inspector, receiver, legal counsel, attending meetings, checking property taxes, work orders, liens or other matters, acting generally in accordance with the requirements of a mortgage manager of a mortgaged property in default, which amount is deemed not to be a penalty.

**This section is also deemed to be complete and proper notice to any subsequent charge or lien holder of the above-noted costs and charges in the event of the Chargor's default. Any future chargee that registers a subsequent charge with or without written permission of the Chargee does so knowingly with full disclosure and accepting all risks associated with this section as well as other costs, fees or charges set out in this Charge. It is strongly recommended that all proposed chargees seek independent legal advice prior to funding any subsequent mortgage.**

## MANAGEMENT FEES ON POSSESSION

In the event of default under the Charge by the Chargor beyond the applicable grace period and the Chargee obtains possession of the property secured hereby and it determines, in its sole discretion that the property secured hereby requires work and/or improvements in order to market the property secured hereby, then the Chargee shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and/or work by the Chargee and its agents and all expenses incidental thereto shall be added to the loan amount, together with a management fee of 15% of the costs of the work and improvements completed by the Chargee, provided that it is limited to bringing the property secured hereby only up to the condition it was at the time of the advance, unless work already has been started on a building and in such event, such work may be completed. All costs and expenses, as well as said management fee shall bear interest at the rates as herein provided for and shall form part of the Loan secured hereunder and the Chargee shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of mortgage principal and interest hereunder or at law.

**The above paragraph is also deemed to be complete and proper notice to any subsequent charge or lien holder of the above-noted costs and charges in the event of the Chargor's default. Any future chargee that registers a subsequent charge does so knowingly with full disclosure and accepting all risks associated with the above paragraph as well as other costs, fees or charges set out in this Charge. It is strongly recommended that all proposed chargees seek independent legal advice prior to funding any subsequent mortgage.**

## DEFAULT ABANDONMENT

In the event of abandonment for a period in excess of fifteen (15) consecutive days, the Chargee

Page 8

shall be entitled to, after giving the Chargor fifteen (15) days' notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and, provided the Chargor fails to rectify same, forthwith withdraw and cancel its obligations hereunder and/or declines to advance further funds, if any, as the case may be and to declare any monies theretofore advanced with interest to be forthwith due and payable, at its sole option.

#### **NON-TRANSFER**

Paragraph 14 of Standard Charge Terms 200033 is hereby deleted and replaced with the following:

In the event that the Chargor sells, conveys, transfers or assigns with respect to the property herein described to a purchaser, transferee or assignee or in the event of a change of shareholders of the Chargor which results in a change of control of the Chargor or in the event of a change in the beneficial ownership of the property herein described, without first obtaining the consent in writing of the Chargee, which consent shall not be unreasonably withheld, the entire principal sum and interest hereby secured shall, at the option of the Chargee, forthwith become due and payable, together with the Chargee's then current prepayment penalties and fees.

#### **PAYMENT OF OTHER CHARGES AND PERFORMANCE OF THEIR OBLIGATIONS BY THE CHARGE**

The Chargor covenants and agrees with the Chargee to pay all property taxes, public utility rates and charges as and when they become due, to keep all encumbrances and agreements in good standing, comply with all zoning by-laws, standards and work orders and not to permit the existence of any work orders, deficiency notices, letters of compliance or the registration of any liens of any nature or kind; the failure of the Chargor to comply with this covenant shall constitute an event of default hereunder and entitle the Chargee at its sole option to avail itself of remedies available hereunder and at law including the right to accelerate the principal sum secured hereunder together with all accrued interest thereon plus costs.

If at any time or from time to time any default or breach of covenant occurs under any encumbrance registered against the property secured hereby and which encumbrance has priority over this Charge and which default is not cured within the grace periods permitted by such encumbrance, it shall constitute default under this Charge and the Chargee may pay all monies and take appropriate action to cure any default or breach under any such encumbrance.

In addition, at the Chargee's sole option, the Chargor hereby agrees that the Chargee may satisfy any charge, lien, any matter raised in the previous paragraph or other encumbrance now or hereafter existing or to arise or be claimed upon the charged lands and the amount so paid together with all costs associated therewith shall be added to the principal sum hereby secured and bear interest at the rate of interest set forth herein and shall be payable forthwith by the Chargor to the Chargee and in default of payment, the entire principal sum, accrued interest and costs, shall become payable, at the option of the Chargee, and the remedies hereby given and available at law may be exercised forthwith without notice. In the event of the Chargee satisfying any such charge or claim, it shall be entitled to all equities and securities of the person or persons so satisfied and it may retain any discharge, cessation of charge or assignment of charge unregistered until paid.

#### **BANKRUPTCY AND INSOLVENCY**

THE CHARGOR hereby waives and releases any right that it may have to receive from the Chargee notice of intention to enforce security pursuant to subsection 244(1) of the Bankruptcy and Insolvency Act (Canada). This waiver and release shall not be deemed or interpreted to be a prior consent to earlier enforcement of a security within the meaning of subsection 244(2.1) of the said Act.

THE CHARGOR hereby acknowledges and agrees that the security held by the Chargee is not all or substantially all of the inventory, accounts receivable or other property of the Chargor acquired for or used in relation to any business carried on by the Chargor. The Chargor hereby

Page 9

further acknowledges and agrees that notwithstanding any act of the Chargee by way of appointment of any person or persons for the purposes of taking possession of the Lands as agent on behalf of the Chargor or otherwise or by taking possession of the Lands itself pursuant to any rights that the Chargee may have with respect thereto shall not constitute the Chargee or any such person, a receiver within the meaning of subsection 243(2) of the Bankruptcy and Insolvency Act (Canada), and that any and all requirements of Part XI of the said Act as it may pertain to obligations of receivers shall not be applicable to the Chargee with respect to the transaction pursuant to which this Charge has been given or enforcement of this Charge or any other security held by the Chargee. The Chargor hereby acknowledges and agrees that no action shall lie against the Chargee as a receiver and manager or otherwise for any loss or damage arising from noncompliance with any obligations of a receiver pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada) whether or not the Chargee had reasonable grounds to believe that the Chargor was not insolvent.

AND THE CHARGOR further acknowledges and agrees that any and all costs as may be incurred from time to time by the Chargee in order to effect compliance or avoid any adverse ramifications of the Bankruptcy and Insolvency Act (Canada) shall be entirely for the account of the Chargor. The Chargee shall be entitled to incur any such costs, including any costs of its personnel in administering any requirements of the said Act and to add the same to the indebtedness owing pursuant hereto and the same shall bear interest at interest rates herein provided and be secured hereunder and under any and all security held by the Chargee for the indebtedness owing to the Chargee in the same manner and in the same priority as the principal secured hereunder.

#### **INDEPENDENT LEGAL REPRESENTATION**

The Chargor and Guarantor (the "Parties") hereto acknowledge that they have full knowledge of the purpose and essence of this Charge/Mortgage transaction, and that they have been appropriately and legally represented in that regard. The Chargor acknowledges that the Charge, all supporting security documents and all electronic documents including the Charge, Notice of Assignment of Rents and Acknowledgment and Direction (the "Documents") and the effect of the Chargee's solicitors signing any of the electronic documents have been fully explained to the Chargor by its own independent counsel. The Chargor acknowledges that it has fully understood the import of the Documents. The Parties agree to provide to the Chargee a Certificate of Independent Legal Representation as and when the same may be required, regarding their knowledge and understanding of this transaction.

#### **TAXES**

At the Chargee's option, THE CHARGOR, in addition to the aforesaid payments of principal and interest, covenants and agrees to pay taxes as hereinafter provided, the Chargee shall reasonably estimate the amount of the taxes chargeable against the said lands payable in each year and the Chargor shall pay to the Chargee one-twelfth of the estimated annual amount together with the aforesaid payments of interest in each and every month during the term of this Charge, commencing with the first payment date aforesaid and the Chargee shall apply such payments on the taxes so long as the Chargor is not in default under this charge, but nothing herein contained shall obligate the Chargee to apply such payments on account of the taxes more often than yearly; provided, however, that if the Chargor shall pay any sum or sums to the Chargee to apply on the taxes, and if before the same shall have been so applied there shall be default by the Chargor in respect of any payment of principal or interest as herein provided, the Chargee may at its option apply such sum or sums in or towards payments of the principal and/or interest in default, and in the event that the taxes actually charged for any one year, together with any interest and penalties thereon, exceed the estimated amount, the Chargor shall pay to the Chargee on demand the amount required to make up the deficiency; and if the Chargor desires to take advantage of any discounts or avoid any penalties in connection with the payment of taxes, the Chargor may pay to the Chargee such additional amounts as are required for that purpose; and the Chargor shall transmit to the Chargee forthwith after receiving them the assessment notices, tax bills and other notices affecting the imposition of taxes upon the said lands.

TAXES shall mean and include all taxes, rates and assessments of whatever nature or kind,



Page 10

including local improvement rates and any and all interest and penalties thereon.

THE CHARGEЕ MAY, unless payment has otherwise been made, deduct from the charge advances, an amount necessary to pay the current year's taxes and an amount which together with the monthly tax payments to be made to and including April of the following calendar year, will be sufficient to pay the taxes for the following calendar year.

NO MONEYS paid to the Chargee pursuant to the foregoing shall be held in trust for the Chargor nor bear interest to the credit of the Chargor.

THE FOREGOING tax clause is in addition to and without prejudice to the other provisions of the within Charge in regard to realty taxes.

#### **PREPAYMENT PROVISIONS**

Provided that upon giving thirty (30) days' prior written notice and upon payment of one (1) month's interest as a bonus, the Chargor shall have the privilege on or after November 1st, 2021 of prepaying, on any payment date, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out or upon giving sixty (60) days' prior written notice, the Chargor shall have the privilege on or after November 1st, 2021 of prepaying, on any payment date, as set out in the written notice, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out.

- (a) if prepayment of any part of the principal secured hereunder is made by reason of payment after acceleration upon the occurrence of a default, the Chargor agrees to pay to the Chargee three (3) months' interest on the principal amount prepaid at the rate of interest chargeable hereunder at the time of prepayment as hereinbefore set out.
- (b) if the principal sum, accrued interest thereon and any of the sums which may be due hereunder is not repaid on or before the Maturity Date or on the date set out in a notice of intention to discharge /repay, then the Chargor agrees to pay to the Holder in addition to the amounts required to obtain a discharge, three (3) months interest at the rate of interest chargeable hereunder on the principal balance outstanding on the date the Mortgage was to be repaid in accordance with the foregoing notice.

It is understood and agreed that, at the Chargee' option, no further money, if any, yet to be advanced, will be advanced pursuant to this Charge and the Loan secured hereby once notice of intention to discharge/repay in full is received by the Chargee.

#### **FINAL PAYMENT AND DISCHARGE**

The Chargor covenants and agrees that the payment at maturity, or earlier if notice to prepay is delivered, of the Charge shall be by solicitor's certified cheque or funds wired from a Canadian Schedule I Bank. After payment in full of the principal sum and all other amounts hereby provided, a discharge of the Charge shall be prepared by the solicitor for the Chargee, at the cost and expenses of the Chargor within a reasonable time after such payment and such solicitor's fees shall not include attendance outside the office in order to deliver the said discharge or the attendance on a closing or registration of and the cost of registration of the said discharge.

#### **SECURITY INTEREST IN CHATTELS**

It is hereby mutually covenanted and agreed by and between the parties hereto that all chattels, erections and improvements, fixed or otherwise, now or hereafter put upon the said premises and owned by the Chargor, including, but without limiting the generality of the foregoing, heating equipment, air-conditioning and ventilation equipment, blinds, storm windows and doors, window screens, etc. and all apparatus and equipment appurtenant thereto are and shall in addition to other fixtures thereon, be and become fixtures and an accession to the freehold and a

Page 11

part of the realty as between the parties hereto, their heirs, executors, administrators, successors, legal representatives and assigns, and all persons claiming thereunder and shall be a portion of the security for the indebtedness hereinbefore mentioned.

The Chargor covenants and agrees to execute and deliver to the Chargee, on demand, a security interest in all chattels, furnishings, equipment, appliances and all other personal property owned now or in the future by the Chargor and situate in or about the herein described lands. The form and content of such security interest shall be acceptable to the Chargee. The Chargor agrees to pay all legal and other expenses incurred by the Chargee in connection with the preparation and registration of the security interest and any renewals thereof forthwith upon demand and such fees and expenses, together with interest thereon at the interest rate charged hereunder, shall be added to the principal sum secured by the within charge if not paid by the Chargor.

#### MANAGEMENT

The Chargor covenants that during the term of the charge, professional property management for the charged premises will be carried out in a manner and with a property manager acceptable to the Chargee and the Chargee's approval for any property management changes at any time must be obtained in writing. Default under this covenant shall be deemed a default under this charge and at the option of the Chargee, the principal sum secured together with accrued interest and costs shall become due and payable, at the option of the Chargee

#### PAYMENT OF COSTS

The Chargor shall pay to the Chargee on demand all legal fees payable on a solicitor and his own client basis, costs and out-of-pocket expenses incurred by any of the Chargee, its agents, officers and employees with respect to:

- (a) the preparation of this Charge, any renewals thereof and related security documents (the "Security Documents") and any other documents, agreements and instruments required pursuant hereto or thereto and any costs associated with realization under this Charge or the Security Documents;
- (b) the Chargee obtaining advice, after default occurs, as to its rights and responsibilities under this Charge or any of the instruments and documents comprising the Security Documents or relating thereto or in the event of exercise of any or all of its remedies hereunder or thereunder;
- (c) the exercising of any or all of the rights, remedies and powers of the Chargee under this Charge or any of the instruments and documents comprising the Security Documents or relating thereto, or in defending or taking any measures to defend any action, claim, cause of action or in proceedings directly or indirectly relating to the provisions of any such instrument or document;
- (d) any or all of the taking of, recovering of possession of any assets or property of the Chargor, or any proceedings taken for the purpose of enforcing any rights or remedies provided in this Charge or in any instrument or document comprising the Security Documents or relating thereto, or any proceedings otherwise taken in relation to any assets or property of the Chargor or subject to the security given by the Chargor to the Chargee, or any proceedings taken by reason of any non-payment or non-performance of the obligations of the Chargor hereunder;
- (e) any appraisals, environmental reports, engineering reports, cost consultants reports, or any other reports obtained at any time by the Chargee relating to the Lands; and
- (f) on each anniversary of the Charge, the Chargee shall request from its solicitors a corporate Status Certificate for the Chargor. All costs of such searches will be on account of the Chargor and will be payable upon invoice and shall be billed and be paid with the next monthly mortgage payment.

In the event the Chargor fails to pay any such legal fees, costs and expenses to the Chargee forthwith upon demand by the Chargee, then the amount of such unpaid legal fees, costs and expenses shall be added to the mortgage indebtedness secured hereunder and shall bear interest at the rate herein set forth.

#### LIMIT ON RATE OF INTEREST

(a) Adjustment

If any provision of the Commitment, this Charge or any other security document would oblige the Chargor to make any payment of interest or other amount payable to the Chargee in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Chargee of interest at a criminal rate (as such terms are construed under the Criminal Code (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in receipt by the Chargee of interest at a criminal rate, such adjustment to be effected, to the extent necessary, as follows:

- (i) firstly, by reducing the amount or rate of interest required to be paid hereunder as applicable; and
- (ii) thereafter, by reducing any fees, commissions, premiums and other amounts which would constitute interest for purposes of Section 347 of the Criminal Code (Canada).

(b) Reimbursement

If, notwithstanding the provisions subsection (a) above, and after giving effect to all adjustments contemplated thereby, the Chargee shall have received an amount in excess of the maximum permitted by such subsection, then the Chargor shall be entitled, by notice on writing to the Chargee, to obtain reimbursement from the Chargee of an amount equal to such excess, and pending such reimbursement such amount shall be deemed to be an amount payable by the Chargee to the Chargor.

(c) Calculation

Any amount or rate of interest referred to in this Section shall be determined in accordance with generally accepted actuarial practices and principles as an effective annual rate of interest over the term of any revolving loan on the assumption that any charges, fees or expenses that fall within the meaning of "interest" (as defined in the Criminal Code (Canada)) shall, if they relate to a specific period of time be prorated over that period of time and otherwise be prorated over the period from the date of this Charge to the maturity date thereof and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Chargee shall be conclusive for the purposes of such determination.

#### INSURANCE

The Chargor will insure, and keep insured in favour of the Chargee, against loss or damage by fire, and as the Chargee may require insure against loss or damage by tempest, tornado, cyclone, lightning, boiler explosions, comprehensive general and public liability and other risks or hazards each and every building (and the income therefrom), structure and fixture on the land (the "buildings") and which may hereafter be erected thereon, both during erection and thereafter for the full insurable amount thereof in lawful money of Canada in a form and with a Company approved by the Chargee. The Chargor will forthwith assign, transfer, and deliver over unto the Chargee, with a mortgage clause satisfactory to the Chargee attached and providing that the loss shall be payable to the Chargee, all of said policies of insurance and premium receipts therefore

appertaining and the Chargee shall have a lien for the charge debt on all insurance on the said buildings. If the Chargor shall neglect to insure or keep any buildings insured as aforesaid or to deliver such policies and receipts or to produce to the Chargee, at least 15 days prior to the termination of any insurance, evidence of renewal thereof, the Chargee shall be entitled but shall not be obliged to insure any buildings and may pay any premiums therefor and charge the same to the Chargor with interest thereon at the rates set out in the Charge and any premiums so paid shall also be a charge on the land and shall be forthwith payable by the Chargor with interest. The Chargor shall, forthwith on the happening of any loss or damage, furnish, at the Chargor's expense, all necessary proofs and do all necessary acts to enable the Chargee to obtain payment of the insurance moneys. Any insurance money received may, at the option of the Chargee, be applied in rebuilding, re-installing, or repairing any building or be paid to the Chargor or any other person appearing by the registered title to be the owner of the land or be applied in the sole discretion of the Chargee, in full or in part on the charge debt or any part thereof whether due or not then due, or paid partly in one way and partly in another. In the event of any conflict between the provisions of this clause respecting insurance and the provisions of the Standard Charge Terms applicable to this charge, then the provisions of this clause shall prevail.

#### **INSURANCE RENEWAL**

The Chargee shall be entitled to its standard servicing fee for dealing with each cancellation, premium payment or other non-compliance with insurance requirements. In the event that the evidence of continuation of insurance as herein required has not been delivered to the Chargee, the Chargee shall be entitled to its standard servicing fee for each written inquiry which the Chargee shall make to the insurer pertaining to such renewal (or resulting from the Chargor's non-performance of the within covenant). In the event that the Chargee pursuant to the within provision arranges insurance coverage with respect to the said lands, the Chargee in addition to the aforementioned servicing fee shall be entitled to a further servicing fee for arranging the necessary insurance coverage.

#### **POST-DATED CHEQUES**

The Chargor shall provide to the Chargee post-dated cheques for each year of the term of the Charge. Each cheque is to be in the amount of the monthly installment payable under the Charge. The Chargee shall have the right to direct the Chargor to deliver one or more separate cheques for each monthly payment totaling the monthly installment. Alternatively, the Chargor shall provide Pre-Authorized Payments to be drawn from the Chargor's chosen Bank at the Chargee's request at any time and shall provide the Chargee with all necessary information for this purpose as required. **Post-Dated cheques should be made payable to "First Source Financial Management Inc." unless instructed in writing otherwise.**

#### **APPOINTMENT OF RECEIVER**

**IT IS DECLARED** and agreed that at any time and from time to time when there shall be default under the provisions of this Charge, beyond the applicable cure period, then the Chargee in addition to any other rights which it may have, may at such time and from time to time and with or without entering into possession of the Lands appoint in writing a Receiver of the Lands, 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 such Receiver and appoint another in its place and stead, and in making any such appointment or removal, the Chargee shall be deemed to be acting as the agent or attorney for the Chargor. The Chargor hereby irrevocably agrees and consents to the appointment of such Receiver of the Chargee's choice and without limitation whether pursuant to this Charge, the Mortgages Act (Ontario), the Construction Lien Act (Ontario), or the Trustee Act (Ontario) as the Chargee may at its sole option require. Without limitation, the purpose of such appointment shall be the orderly management, administration and/or sale of the Lands or any part thereof and to do all things necessary as an owner would be entitled to do to sell the Property, and the Chargor hereby consents to a Court Order for the appointment of such Receiver, if the Chargee in its discretion chooses to obtain such order, and on such terms and for such purposes as the Chargee at its sole discretion may require, including, without limitation, the power to manage, charge, pledge, lease and/or sell the Lands and/or to complete or partially complete any construction thereon and to receive advances of monies

Page 14

pursuant to any charges, pledges and/or loans entered into by the Receiver or the Chargor, and if required by the Chargee, in priority to any existing encumbrances affecting the Lands, including without limitation, charges and construction lien claims.

**UPON** the appointment of any such Receiver from time to time the following provisions shall apply:

- (a) A Statutory Declaration made by the Chargee or by any authorized representative of the Chargee as to default under the provisions of this Charge shall be prima facie evidence thereof;
- (b) Every such Receiver shall be the irrevocable agent or attorney of the Chargor for the collection of all rents falling due in respect to the Lands, or any part thereof, whether in respect of any tenancies created in priority to this Charge or subsequent thereto and with respect to all responsibility and liability for its acts and omissions;
- (c) The Chargee may from time to time fix the remuneration of every such Receiver which shall be a charge on the Lands, and may be paid out of the income therefrom or the proceeds of sale thereof;
- (d) 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 chargee in possession in respect of the Lands or any part thereof;
- (e) The Receiver shall have the power to rent any portion of the Lands for such term and subject to such provisions as it may deem advisable or expedient and shall have the authority to execute any lease of the Lands or any part thereof in the name and on behalf of the Chargor and the Chargor undertakes to ratify and confirm, and hereby ratifies and confirms whatever acts such Receiver may do on the Lands;
- (f) In all instances, the Receiver shall be acting as the attorney or agent of the Chargor;
- (g) Every such Receiver shall have full power to complete any unfinished construction upon the Lands;
- (h) Such Receiver shall have full power to manage, operate, amend, repair, alter or extend the Lands or any part thereof in the name of the Chargor for the purposes of securing the payment of rental from the Lands or any part thereof;
- (i) The Receiver shall have full power to assume control of, manage, operate and carry on the business of the Chargor being conducted at or upon the Lands on the date of this Charge or at any time thereafter;
- (j) The Receiver shall have full power to do all acts and execute all documents which may be considered necessary or advisable in order to protect the Chargee's interest in the Lands including, without limiting the generality of the foregoing, increasing, extending, renewing or amending all charges, mortgages and other encumbrances which may be registered against the Lands from time to time, whether or not any of the same are prior to the interest of the Chargee in the Lands; sale of the Lands; borrowing money on the security of the Lands; applying for and executing all documents in any way related to any re-zoning applications, severance of lands pursuant to the provisions of the Planning Act, as amended, subdivision agreements and development agreements and agreements for the supply or maintenance of utilities or services to the Lands, including grants

of lands or easements or rights of way necessary or incidental to any such agreements; executing all grants, documents, instruments and agreements related to compliance with the requirements of any competent governmental authority, whether pursuant to a written agreement or otherwise and applying for and executing all documents in any way related to registration of the Lands as a condominium; completing any application for first registration pursuant to the provisions of the Land Titles Act (Ontario) or pursuant to the Certification of Titles Act (Ontario); and for all and every of the purposes aforesaid it does hereby give and grant unto the Receiver full and absolute power and authority to do and execute all acts, deeds, matters and things necessary to be done as aforesaid in and about the Lands, and to commence, institute and prosecute all actions, suits and other proceedings which may be necessary or expedient in and about the Lands, as fully and effectually to all intents and purposes as it itself could do if personally present and acting therein.

- (k) Such Receiver shall not be liable to the Chargor to account for monies or damages other than cash received by it in respect of the Lands or any part thereof and out of such cash so received every such Receiver shall pay in the following order:
- (i) its remuneration;
  - (ii) all payments made or incurred by it in the exercise of its powers hereunder;
  - (iii) any payment of interest, principal and other money which may from time to time be or become charged upon the Lands in priority to the monies owing hereunder and all taxes, insurance premiums and every other proper expenditure made or incurred by it in respect of the Lands or any part thereof.

**THE CHARGOR** hereby irrevocably appoints the Chargee as his attorney to execute such consent or consents and all such documents as may be required in the sole discretion of the Chargee and/or its solicitors so as to give effect to the foregoing provisions and the signature of such attorney shall be valid and binding on the Chargor and all parties dealing with the Chargor, the Chargee and/or the Receiver and/or with respect to the Lands in the same manner as if such documentation was duly executed by the Chargor himself.

The Chargee shall not be liable to the Receiver for his remuneration costs, charges or expenses, and the Receiver shall not be liable for any loss howsoever arising unless the same shall be caused by his own gross negligence or wilful default; and he shall, when so appointed by notice in writing pursuant hereto, be deemed to be the agent of the Chargor and the Chargor shall be solely responsible for his acts and defaults and for his remuneration.

#### **OTHER SECURITY**

This Charge is in addition to and not in substitution for any other security now or hereafter held by the Chargee.

#### **NO "DEEMED REINVESTMENT"**

The parties hereby agree that the Chargee shall not be deemed to reinvest any monthly or other payments received by it hereunder.

#### **CROSS DEFAULT**

The occurrence of an event of default under any one of the security documents held by the Chargee relating to the Chargor and/or Guarantor or a company related to the Chargor and/or Guarantor will constitute an event of default under all other security documents and loans to the Chargor and/or Guarantor or a company related to the Chargor and/or Guarantor held by the Chargee or in the name of an associated or affiliated corporation to the Chargee. If the Chargee

Page 16

takes any proceeding pursuant to the Charge or other security document by reason of the Chargor's default the Chargee shall be entitled to add to the Charge debt a service and administration fee and a property inspection fee in addition to all other fees, costs, claims or demands to which the Chargee is also entitled.

#### **AGREEMENTS IN WRITING**

No agreement for modification to the within Charge or to any other security agreement provided to the Chargee, including any renewals hereof or for extension of the time for payment of the indebtedness due hereunder shall result from, or be implied from, any payment or payments of any kind whatsoever made by the Chargor to the Chargee after the expiration of the Maturity Date or of any subsequent term agreed to in writing between the Chargor and the Chargee and that no modification, amendment, at any time to the within Charge or to any security agreement provided to the Chargee or any renewal hereof or extension of the time for payment of any indebtedness due hereunder shall result from, or be implied from, any other act, matter or thing, save only an express agreement in writing between the Chargor and the Chargee.

#### **CHARGOR'S REPRESENTATIONS**

The following shall constitute events of default hereunder entitling the Chargee to exercise its remedies hereunder or as available at law:

- (i) if, in the Chargee's opinion, acting reasonably, the financial position of the Chargor the charged lands herein, the Chargor's representations and warranties contained hereon or contained in any application for this Charge shall have suffered any material adverse change;
- (ii) if any action, suit or other proceeding is pending or commenced which may materially adversely affect the Chargor or the herein charged lands;
- (iii) if any event shall occur which materially and adversely affects the whole or part of the value of the charged lands or the financial position of the Chargor; or
- (iv) if any of the representations or warranties made by the Chargor in its application for the Loan or any document delivered pursuant hereto or otherwise is incorrect in any material respect.

#### **STATEMENT OF MORTGAGE BALANCE**

The Chargee shall be paid its then current fee for each request for a Statement of Mortgage, to be paid in advance.

#### **ADDITIONAL SECURITIES**

In the event that the Chargee (in addition to the premises secured hereunder) holds further additional securities on account of the indebtedness secured herein, it is agreed that no single or partial exercise of any of the Chargee's powers hereunder or under any of such securities, shall preclude other and further exercise of any other right, power or remedy pursuant of any of such securities or herein. The Chargee shall at all times have the right to proceed against all, any or any portion of such security or securities in such order and in such manner, cumulatively and concurrently and not alternatively, separately, successively or together as it shall in its sole discretion deem fit, without waiving any rights which the Chargee may have hereunder and with respect to any and all of such securities and the exercise of any such powers or remedies from time to time shall in no way affect the liability of the Chargor hereunder and under the remaining securities, provided however, that upon payment of the full indebtedness secured hereunder the rights of the Chargee hereunder and with respect to any and all such securities shall be at an end, save for the Environmental Indemnity. Any judgment or recovery hereunder or under any other security held by the Chargee for the monies secured hereunder shall not affect the right of the Chargee to realize upon this or any other such security. Unless agreed to the contrary in writing no discharge of any one or more of such securities and the within Charge shall be given until the

Page 17

full amount of the principal and interest secured hereby has been paid in full.

#### **RELEASE OF INFORMATION**

The Chargee is authorized to release or provide information about the Chargor or the Charge to any person claiming a construction lien on the lands, to a Credit Bureau, another credit grantor, or any other person as permitted by law.

#### **FINANCIAL STATEMENTS**

Within one hundred and twenty (120) days after the end of each fiscal year of the Chargor and corporate Guarantor the annual financial statements of the each such corporation for its immediately preceding fiscal year including, without limitation, the balance sheet of the corporation as at its fiscal year end with comparative figures for prior years, statements of earnings, retained earnings and changes in financial position as at the fiscal year end with comparative figures for prior fiscal years, any supporting schedules and notes thereto and such other information and explanations as may be required by the Chargee.

At the option of the Chargee, the Chargor shall within one hundred and twenty (120) days of the end of each fiscal year of the operation of the charged lands and premises by the Chargor, furnish to the Chargee an annual operating statement prepared at the expense of the Chargor, which statement notwithstanding the generality of the foregoing, shall set forth the gross rents and other revenue derived by the Chargor from the charged lands and premises, the costs and expenses of the operation and maintenance of the charged lands and premises and such information and explanations in respect of the foregoing as may be required by the Chargee and such statements shall be required to be prepared by a duly qualified chartered accountant and/or a certified public accountant suitable to the Chargee and the correctness of such statements shall be duly supported by the affidavit of a director or officer of the Chargor.

All such operating and financial statements shall be prepared at the expense of the Chargor and in accordance with generally accepted accounting principles applied on a consistent basis and by a duly qualified chartered accountant or certified public accountant which is acceptable to the Chargee and shall be submitted in audited form if so required by the Chargee, at its option, and the completeness and correctness of such statements shall be supported by an affidavit of the Chargor.

With respect to the individual Guarantor one hundred and twenty (120) days after each anniversary of May 1<sup>st</sup>, 2021, the Guarantor shall provide the Chargee an annual updated net worth statement of such individual in such form and including such content and other information and explanations as may be required by the Chargee.

#### **GUARANTOR PROVISIONS**

In consideration of the Chargee advancing funds to the Chargor hereunder, Andre Sherman (herein referred to as the "Guarantor") does hereby, absolutely and unconditionally, covenant, agree and guarantee to the Chargee, as principal debtor and not as surety, that all monies to be paid as herein set forth shall be paid as herein set forth and that all covenants, agreements and provisos of the Chargor shall be completely paid, fulfilled, observed and performed in accordance with the provisions of this Charge and that if the Chargor shall fail to pay or cause to be paid the amount as hereinbefore set out or fail to perform, observe or fulfill its covenants or agreements as herein set out, then the Guarantor shall pay or cause to be paid to the Chargee the payments as herein set forth, and that the Guarantor shall continue to remain liable on his guarantee, covenant and agreement notwithstanding:

- a) Any extension of time or extensions of time from time to time which may be given by the Chargee to the Chargor for payment, observance, performance or fulfillment of any liabilities, indebtedness, agreements or obligations hereby guaranteed and/or any renewal of this charge from time to time and the Guarantor hereby covenants and agrees with the Chargee that payment shall be made in accordance with such extension or extensions of time and that if payments are not made in accordance with such extension or extensions



Page 18

of time the Guarantor shall make or cause to be made the payments in accordance with such extension or extension of time.

- b) Any compounding or making of any compositions or arrangements respecting any liabilities, indebtedness, agreements or obligations, hereby guaranteed.
- c) Taking of any security or securities or releasing, discharging, abandoning, giving up, modifying, varying, exchanging, renewing, assigning, abstaining from perfecting or abstaining from taking advantage of any security now held or hereafter acquired or acquired by these presents in respect of any liabilities, indebtedness, agreements or obligations hereby guaranteed or of any part of same.
- d) Realization of any securities now or hereafter held by the Chargee.
- e) Granting any indulgence whatsoever to the Chargor to any other person, firm or corporation.
- f) Discharging the Chargor, or any other person, firm or corporation.
- g) Doing or omitting to do any other act, matter or thing whatsoever with relation to the liabilities, indebtedness, agreements and obligations hereby guaranteed or any security or securities now or hereafter held in respect thereof or of any part of same.

The Guarantor hereby waives and renounces any rights, benefits, immunities, privileges and advantages which he may have by reason of being Guarantor instead of principal debtor and acknowledges he is responsible for the debt as principal debtor and not as surety.

All indebtedness and liabilities present and future of the Chargor to the Guarantor are hereby assigned to the Chargee and postponed to the present and future indebtedness and liabilities of the Chargor to the Chargee including the repayment of all the monies secured by the within charge and all monies received from the Chargor or for his account by the Guarantor or his representatives or assigns in respect thereof shall be by him received in trust for the Chargee, and forthwith upon receipt paid over to the Chargee until the Chargor's indebtedness and liability to the Chargee is fully paid and satisfied all without prejudice to and without in any way limiting or lessening the liability of the Guarantor to the Chargee under this guarantee and this assignment and postponement is independent of the said guarantee and shall remain in full effect until repayment in full to the Chargee of the monies secured by the Charge notwithstanding that the liabilities of the Guarantor under the within guarantee may have been discharged or terminated, the undersigned acknowledges the assignment to the Chargee as set forth herein shall not impose upon the Chargee any obligation to do anything to realize on the assigned debts and claims or to ensure that those debts or claims do not become statute barred by the operation of law relating to limitation of actions or otherwise.

#### **INSURANCE – ADDITIONAL PROVISIONS**

In additional to any other insurance provisions contemplated by this Charge or the Standard Charge Terms registered as No. **200033**:

The Chargor will at all times during the term maintain the insurance required by the Charge including, without limitation, the following coverages:

- (a) All risks of direct physical loss or damage, including, without limitation, coverage for the foundations of all improvements and flood and earthquake coverage, all on a replacement cost basis with loss payable to the Chargee under an Insurance Bureau of Canada mortgage clause; the policy should allow for the improvements on the property to be completed (if applicable), for partial occupancy, and for the property to be vacant and unoccupied for a period of at least 30 days;
- (b) Comprehensive broad form boiler and machinery insurance covering all pressure vessels (whether fired or unfired), air conditioning and miscellaneous electrical

apparatus on the property, for an amount satisfactory to the Chargee, with loss payable to the Chargee under a Boiler and Machinery Insurance Association mortgage clause;

- (c) Business interruption or rental income loss coverage on a gross profits or rentals form sufficient to cover 100% of the loss of rent or loss of business income from the business conducted on the property for a period of twelve (12) months, based on the greater of actual or projected revenue, in respect of all perils described in (a) and (b) above;
- (d) Comprehensive general liability insurance, inclusive of bodily injury, death or property damage or loss, for a minimum amount of \$5,000,000.00 per occurrence or such other amount as the Chargee may reasonably request;
- (e) Theft of chattels;
- (f) Prior to any advance of the Principal, the Chargor will provide to the Chargee or its solicitors original or certified copies of insurance policies providing the above coverages. The Chargee may have the insurance policies reviewed by a qualified property insurance consultant to ensure the insurance requirements of the Commitment Letter are satisfied; and
- (g) Evidence of policy renewal or satisfactory replacement must be provided annually at least thirty (30) days before expiry.

Although the Chargee reserves the right to insist that all policies be on a "no co-Insurance" basis, the Chargee may consider accepting stated amount co-insurance provided that the Chargor shall at all times maintain a sufficient amount of insurance to prevent the Chargor from becoming a co-insurer under the terms and conditions of the policy.

Each policy shall be in a form and with an insurer satisfactory to the Chargee and will provided that any loss shall be payable to the Chargee as first mortgagee, subject to the standard form of mortgage clauses approved the Insurance Bureau of Canada. The above referenced policies shall provide that the Chargee shall receive thirty (30) days' prior written notice of cancellation or material change to the policies. The Chargor will furnish to the Chargee or its solicitors, prior to the advance of any funds, original or certified copies of insurance policies providing the above coverages. Evidence of policy renewal or satisfactory replacement must be provided annually at least (30) days before expiry of the policy.

If the Chargor fails to comply with the insurance obligations herein, the Chargee may take out insurance which it deems adequate, and the Chargor shall pay to the Chargee, on demand, all sums paid for that purpose plus accrued interest up to the reimbursement date at the rate payable hereunder.

In the event of a loss, the Chargor shall immediately advise the Chargee and shall not undertake any repairs or renovations without the consent of the Chargee. The Chargor acknowledges and agrees that any insurance monies received may, at the option of the Chargee, be applied in rebuilding, re-instating, or repairing any building, or be paid to the Chargor, or be applied in the sole discretion of the Chargee, in full or in part against the amounts due hereunder or any part thereof, whether due or not then due, or paid partly in one way and partly in another.

#### **PAYMENT OF INSURANCE PREMIUMS**

Provided that prior to the first advance hereunder, the Chargor shall provide the Chargee with evidence that the premiums for any insurance policies provided for under this Charge have been paid for at least the six (6) months following the first advance hereunder.

#### **CONTINUING SECURITY**

Without limiting any other provision hereof, this Charge secures, *inter alia*, a current or running account and any portion of the principal amount may be advanced or readvanced by the Chargee in one or more sums at any future date or dates and the amount of such advances and readvances when so made will be secured by this Charge and be repayable with interest at the interest rate stipulated in this Charge. This Charge will be security for the ultimate balance owing to the Chargee arising from the current and running accounts represented by advances and readvances of the principal amount or any part thereof with interest at the interest rate stipulated in this Charge and all other amounts secured hereby and notwithstanding any change in the amount, nature and form of the Loan indebtedness from time to time. If the whole or any part of the principal amount hereby or other amount secured hereby is repaid, this Charge shall be and remain valid security for any subsequent advance or readvance by the Chargee to the Chargor until such time as the Chargee has executed and delivered to the Chargor a complete discharge of this Charge. The provisions relating to defeasance contained in Subsection 6(2) of the *Land Registration Reform Act* (Ontario) are hereby expressly excluded from this Charge.

### LICENCED PREMISES

In the event that this Charge is secured against lands and premises which premises are premises licenced for the carrying on of a business or for a use of any kind the following provisions shall be applicable:

- (a) The Chargor does hereby covenant and agree that all existing or future licences, permits and authorities issued by any body or authority having licensing jurisdiction, in connection with any business or use of any kind carried on upon the charged premises, shall as of and from the date hereof stand as security for and shall be held by the Chargor for the benefit of the Chargee as security for the observance, performance and carrying out of the terms and conditions of the within Charge until the monies secured herein are fully paid and satisfied.
- (b) The Chargor covenants and agrees that it has not and will not do or omit to do any act having the effect of terminating, cancelling or preventing the renewal of existing or future licences, permits and authorities issued by any body or authority having licencing jurisdiction in connection with the business being or to be carried on the Lands or special use of any kind carried or to be carried on upon the charged premises, and the Chargor does further covenant with the Chargee that the Chargor shall comply with, observe, perform and carry out all of the provisions of all legislation governing and controlling and affecting the carrying on of the business or the use being carried on or to be carried on at the premises as well as complying, observing, performing and carrying out all of the provisions of all the rules, regulations and directions required to keep the said licences, permits and authorities in full force and effect. It is acknowledged that failure to observe, perform and carry out the terms and conditions of this provision, resulting in cancellation of the licences, permits and authorities issued or to be issued for the charged premises shall constitute default under the terms of this Charge and the whole of the principal sum and interest hereby secured shall, at the option of the Chargee, forthwith become due and payable.
- (c) The Chargor further agrees and acknowledges that, in the event of default of payment of any monies secured by this Charge as and when such payments become due, or in the event of failure of the Chargor to observe, perform or carry out any of the covenants and agreements in this Charge contained, including the conditions contained in the within paragraph, such event shall and does operate to constitute the Chargee as a successor and assign, subject to the approval of the body or authority or board or commission having licencing jurisdiction in connection with the aforesaid business or use carried on upon the charged premises or to be carried out, such approval being for all existing or future licences, permits and authorities issued by the said body or authority or board or commission, having such licencing jurisdiction in connection with the aforementioned business or use carried on upon the charged premises; provided however, the assignment is taken only as security for the due payment of the principal and interest hereby secured and as security for the due observance, performance and carrying out of the terms and conditions hereof, and subject to the reservation that none of the rights or remedies of the

Page 21

Chargee shall be merged or prejudiced in any way by the acceptance of this assignment as security.

- (d) In the event of any proceedings being taken by the Chargee by the reason of default being made in payment of the monies hereby secured, then in such event the Chargor shall be deemed to be in default hereunder and the Chargee shall be entitled to exercise its rights hereunder and to have the Chargee or its nominee or Receiver or assignee become holder of the above mentioned licences, permits and authorities and to apply to the body or authority or board or commission having the necessary jurisdiction for the approval of the transfer to the Chargee or his nominee, Receiver or assignee of all the licences, permits and authorities now or hereafter in existence in connection with any business or use carried on or being made of the charged premises.
- (e) This indenture further witnesses that the Chargor and the Guarantor do hereby irrevocably constitute and appoint the Chargee their attorney in the premises to do and perform all acts, matters and things necessary to effectively transfer the said licences, permits and authorities and to vest the same in the Chargee or its nominees, Receiver or assignees to all intents and purposes as the Chargor itself could do; it being agreed that this power of attorney is only exercisable on default by the Chargor. A statutory declaration that default has occurred under and in respect of the said Charge, and that such default still continues, entitling the Chargee to exercise its rights hereunder, shall be conclusive evidence of the Chargee's rights to exercise the power of attorney hereby given.

The Chargee in exercising any of the rights given to the Chargee under this Charge shall not be deemed to be a Chargee in Possession.

The Chargor and/or Guarantor(s) agree that should the Chargee herein be a trustee for beneficiaries, the Chargor and/or Guarantor(s) shall have no claims against the beneficial owners of the Charge.

#### **FARM DEBT MEDIATION ACT**

The Chargor represents and warrants that it is not a "farmer" within the meaning of the *Farm Debt Mediation Act*, S.C. 1997, c.21 (the "Act") and covenants and agrees with the Chargee that, in the event that at any time during the term of this Charge the Chargor shall become a "farmer" within the meaning of the Act, it shall forthwith provide written notice of this fact to the Chargee.

#### **PAYMENT OF AMOUNTS OWING TO GOVERNMENTAL AUTHORITIES**

During the term of the Charge and any renewal or extension thereof, the Chargor and/or the Guarantor will pay when due all amounts owing to any governmental authority which, if unpaid, would give such governmental authority recourse for such amounts ranking in priority to the within Charge or any other documents and agreements given by the Chargee to the Chargor in connection with the advance of funds hereunder and the failure to pay any such amount when due will constitute, at the option of the Chargee, a default hereunder.

#### **UNDERTAKINGS**

In the event that the Chargor defaults with respect to any of the terms of any undertakings delivered to the Chargee in consideration of the advance of funds under this Charge, or thereafter or with respect to any covenant contained in these additional provisions, such default will be an event of default under this Charge and entitle the Chargee to all of its remedies hereunder including the acceleration of the principal without further notice to the Chargee.

#### **SUBSEQUENT ENCUMBRANCES**

The Chargor and Guarantor hereby agree that in the event that a subsequent mortgage is placed on the property secured hereby, without the Chargee's written consent, which consent may be

Page 22

unreasonably withheld, that the Chargee shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Chargee immediately due and payable, together with the Chargee's then current prepayment penalties and fees.

#### **PRIVACY PROVISIONS**

- (a) The Chargor hereby irrevocably consents to the Chargee releasing and disclosing to any other parties, their authorized agents and solicitors requesting the same, any and all information, whether confidential or not, in its possession regarding the charged lands or the within mortgage loan including, without limitation, details of the mortgage loan balance, the terms of this mortgage loan, defaults hereunder (existing or prior) and like matters.
- (b) The Chargor hereby confirms and agrees that the release and disclosure of any such information by the Chargee constitutes the release and disclosure of such information with the full knowledge and consent of the Chargor within the meaning of the Personal Information Protection and Electronic Documentation Act (Canada), as amended.
- (c) The Chargor hereby releases the Chargee from any and all liabilities, damages, suits, actions, claims, monies and costs arising from (i) the release and disclosure of any such information by the Chargee, and (ii) any breach of the provisions of any applicable laws, including the Personal Information Protection and Electronic Documentation Act (Canada), as amended, provided that the Chargee has acted in accordance with the consent and direction received from the Chargor.

#### **COSTS**

The Chargor covenants and agrees to pay all property tax, utility rates, charges and insurance premiums as and when they become due, to keep all encumbrances and agreements in good standing, comply with all zoning by-laws, standards and work orders and not to permit the existence of any work orders, deficiency notices, letters of compliance or the registration of any liens of any nature or kind; the failure of the Chargor to comply with this covenant shall constitute an event of default hereunder and at law including the right to accelerate the principal sum secured under this Charge, together with all accrued interest thereon, plus costs.

In addition, at the Chargee's sole and absolute discretion, the Chargor agrees that the Chargee may satisfy any charge, lien, any matter raised in the previous paragraph or other encumbrances now or hereafter existing or to arise or to be claimed upon the charged lands and the amount so paid together with all costs associated therewith shall be a charge on the lands charged herein and/or collateral property and shall bear interest at Eighteen (18%) per cent per annum, calculated and compounded monthly and shall be payable forthwith by the Chargor to the Chargee and in default of payment, the entire principal sum, accrued interest and costs, shall become payable at the sole and absolute discretion of the Chargee and the remedies hereby given and available at law may be exercised forthwith without notice. In the event of the Chargee satisfying any such charge or claim, it shall be entitled to all equities and securities of the person(s) so satisfied and it may retain any discharge, cessation of charge or assignment of charge unregistered until paid.

#### **DUE ON DEFAULT**

In the event of default under this Charge, beyond an applicable cure period, at the option of the Chargee, the full principal balance, together with interest and costs on a substantial indemnity basis in relation thereto shall become immediately due and payable.

#### **DEFAULT OF PRIOR OR SUBSEQUENT ENCUMBRANCES**

If at any time or from time to time any default or breach of covenant occurs under any encumbrance registered against the Property and which encumbrance has priority over the

Page 23

Charge or which is subordinate to the Charge and which default is not cured within the grace periods permitted, it shall, at the option of the Chargee, constitute default under the Charge and the Chargee may, at its option, pay all monies and take appropriate action to cure any default or breach under any encumbrance.

#### **MAXIMUM LOAN TO VALUE**

If at any time prior to the completion of the Project the amount outstanding pursuant to this Charge exceeds 65.70% of the "as is" value of the lands secured hereby as of the date hereof, the Chargee may refuse to advance any further amounts pursuant to this Charge and/or at the option of the Chargee, the Charge may become due and payable.

Any appraisal is to be prepared by a Bona Fide appraiser approved by the Chargee.

#### **CREDIT MANAGEMENT**

The Chargor acknowledges it is important to insulate the revenue stream from the Property in order to avoid claims by other projects, commitments or liabilities of the Chargor. If this is not possible, the Chargor agrees to provide the Chargee with a reasonable degree of revenue segregation through separate reporting. In this regard the Chargee shall monitor the financial aspects of the Property, depending upon its financial status.

The Chargor covenants and agrees to provide the Chargee with standalone property reporting isolating the Property's financial and operating information from that of other properties owned by the Chargor. The Chargor further covenants and agrees to provide the Chargee with separate financial statements for the Property. In the event of a default by the Chargor under the Charge, or if the Chargor seeks relief under the *Companies' Creditors Arrangement Act* (Canada) or other debtor relief legislation, the Chargee shall, if possible, be entitled to establish a separate project bank account for the Property.

#### **CONSTRUCTION PROVISIONS**

##### **DEFINITIONS**

Unless the context requires otherwise, in addition to the terms defined elsewhere herein, the following words or expressions shall have the following meanings:

- a) "**Advances**" includes the gross amount of that portion of the Principal Amount advanced by the Chargee from time to time hereunder and shall include any Advances made by the Chargee on account of a default by the Chargor;
- b) "**Approved Budget**" means the detailed budget of the total costs (hard and soft) required to service and construct the Project, prepared at the request of the Chargor and submitted to the Chargee for its review and approval and approved by the Chargee, currently being \$4,113,200;
- c) "**Charged Lands**" means the lands and premises described in this Charge/Mortgage and the improvements thereon;
- d) "**Construction Facility**" refers to the amount set out in the Approved Budget and referred to in the Commitment for the construction of a 3 storey and 1 elevated basement multiple unit residential building with 18 suites allowing for 15,000 square feet of above ground rental apartment space and 5,000 square feet of finished basement rental apartment space as described in the Commitment.
- e) "**Cost Overruns**" or "**Cost Overrun**" means the amount by which the actual project costs exceed the project costs approved pursuant to the Approved Budget;
- f) "**Project**" means the construction of a of a 3 storey and 1 elevated basement multiple unit residential building with 18 suites allowing for 15,000 square feet of above ground rental apartment space and 5,000 square feet of finished basement rental apartment space as described

Page 24

in the Commitment.

#### ADVANCES

The Commitment provides for staged advances of the monies secured hereunder; and notwithstanding anything to the contrary contained herein or in any prior or subsequent oral or written agreement between the parties, the parties hereto hereby covenant, agree and acknowledge that neither the delivery of any Commitment by the Chargee to the Chargor, nor the execution, nor the registration of this Charge nor the advancement in part of the monies hereby secured shall bind the Chargee in law or in equity thereof, but that the advance of the monies hereby secured or any part thereof is to be made from time to time, in such manner and at such time and in such amounts as the Chargee in its sole exclusive discretion may from time to time determine and it is to be clearly understood that the Chargee is not bound to make any Advance hereunder and may at any time refuse to make Advances hereunder.

Without limiting the generality of the foregoing, it is acknowledged and agreed by the Chargor that all Advances are subject to holdbacks hereinafter provided for.

1. Prior to the Chargee making the initial advance of the Advances which are on account of the Construction Facility, the Chargor shall satisfy the preconditions set forth in the Commitment and shall supply or cause to be supplied to the Chargee the following and thereafter such of the following as may be applicable from time to time:

- a) a detailed and accurate list of all of the names and addresses of all contractors, subcontractors and trades who are to perform servicing in respect of the Charged Lands together with true copies of all contracts entered into with the said parties which contracts shall be approved by the Chargee;
- b) true copies of all engineering drawings and plans (which shall be signed, sealed and dated), as well as a set of plans with the approval of the Building Department of the Municipality or other Governmental Authority having jurisdiction thereon, endorsed thereon;
- c) a detailed budget, (inclusive of the Chargor's cost of the borrowing) setting forth all costs, required to be expended to complete the construction of the Project including hard and soft costs;
- d) true copies of all architectural drawings and plans (which shall be signed, sealed and dated), as well as a set of plans with the approval of the Building Department of the Municipality or other Governmental Authority having jurisdiction thereon, endorsed thereon;
- e) Building Permits for the Project to be constructed on the Charged Lands, as described in the Commitment;

2. Prior to each subsequent advance, the Chargor shall supply to the Chargee or to its solicitors or cause to be supplied to them the following:

- a) A Certificate of the Chargor setting out the actual costs of every nature and kind incurred by the Chargor for the Project from the last Advance to date of current Advance and provide the Chargee with true copies of all invoices in respect of the Project;
- b) an original up to date survey showing the location of the structure erected on the Charged Lands as well as any easements, right of way and any other material discrepancy. The survey shall be signed, sealed and dated by an Ontario Land Surveyor;

3. It is expressly acknowledged and agreed that in the making of the staged Advances in accordance with the terms of the Commitment, there shall always be held back an amount sufficient to cover the estimated costs to complete the Project, as contemplated by the Commitment, inclusive of all interest cost, from time to time. The Chargor hereby represents, warrants and covenants that the costs as set out in the Approved Budget will have been carefully and conservatively prepared to reflect as accurately as possible the actual costs in accordance with generally accepted accounting/development/construction practices.

4. It is further expressly agreed that notwithstanding anything herein contained to the contrary, the Chargee shall at all times have the option, from time to time (i) to reduce any advances for which the Chargor has qualified by an amount equivalent to any potential deficiency in any applicable construction lien holdbacks relating to construction with respect to the Charged Lands so as to protect its priority with respect to the equity of the Charged Lands or (ii) to require from the Chargor additional security satisfactory to the Chargee to protect its priority position with respect to such equity in the Charged Lands. In the event that such additional security is by way of cash collateral, any interest earned on such cash collateral, from time to time, shall be credited to the Chargee. Such additional security shall be released upon the Chargee receiving satisfactory evidence that there are no deficiencies in any applicable construction lien holdbacks and that all requisite construction lien periods have expired with no liens registered or notices of lien notified to the Chargee or its solicitors.

5. At the time of each Advance there shall have been full and complete compliance with all requirements of the Construction Act, as amended and/or restated from time to time (the "Act"), and the Chargor shall submit to the Chargee, in form and content satisfactory to the Chargee, evidence of such compliance. The Chargor agrees that the Chargee shall be entitled to withhold from any Advance, or pay into court as an Advance, such amounts as the Chargee, in its sole discretion, considers advisable to protect its interests from subordination under the provisions of the said Act, and to secure the priority of the Charge over any actual or potential construction liens. Nothing in this paragraph shall be construed to make the Chargee an "owner" or "payer" as defined by the said Act, nor shall there be, or be deemed to be, any obligation by the Chargee to retain any holdback or otherwise or to maintain on the Chargor's behalf any holdback which may be required to be made by the owner or payer. Any such obligation shall remain solely the Chargor's obligation. The Chargor hereby covenants and agrees to comply in all respects with the provisions of the said Act.

6. The Chargor covenants and agrees to provide to the Chargee, prior to each advance, statutory declarations sworn by the Chargor and outlining the particulars of all contracts entered into by the Chargor in respect of supply of services or material to any improvements on the Charged Lands. Such statutory declarations shall be acceptable to the Chargee as to form and content. In addition, the Chargor covenants and agrees to produce such contracts for examination by the Chargee if and whenever the Chargee shall so require.

7. The Chargor covenants and agrees that all improvements to the Charged Lands shall comply in all respects with the provisions of the said Act and if a construction lien is filed against all or part of the Charged Lands, then within ten (10) days after receipt of notice thereof, the Chargor shall cause the lien to be vacated or discharged. If the Chargor fails to do so, then in addition to its other rights provided herein, the Chargee shall be entitled to pay into court a sum sufficient to obtain an order vacating such lien or to purchase a financial guarantee bond in the form prescribed under the said Act. All costs, charges and expenses incurred by the Chargee in connection with such payment into court or in connection with the purchase of a financial guarantee bond or in connection with any legal proceedings, together with interest thereon at the rate stipulated herein, shall be added to the principal sum secured herein and shall be payable forthwith by the Chargor to the Chargee. If any person that performs work, labour or services or that provides materials to or for the Charged Lands, names the Chargee as a party to any legal proceedings which it takes to enforce a construction lien or trust claim, then the Chargor agrees to reimburse the Chargee for any and all legal expenses (on a solicitor and his own client basis) incurred by the Chargee in such legal proceedings.

8. The Chargor covenants and agrees with the Chargee that:

a) it will enter into any agreements required by the Municipality, Town/Township or any Governmental Authority or any other governmental authority relating to the servicing, development or construction on the Charged Lands; and keep such agreements in good standing at all times.

b) to do all things that are necessary in order that building permits for the Project to be constructed on the Charged Lands, as described in the Commitment, are issued by the



Page 26

Municipality, Town/Township or any Governmental Authority as soon as possible.

- c) All servicing and construction on the Charged Lands shall be carried out by reputable contractors with sufficient experience in a Project of this nature and size, which contracts must be previously approved by the Chargee in writing.
- d) The servicing of the Charged Lands and the construction of any buildings, structures and improvements located on the Charged Lands, having been commenced, shall be continued in a good and workmanlike manner, with all due diligence and in accordance with the plans and specifications delivered to and approved by the Chargee and to the satisfaction of all governmental and regulatory authorities having jurisdiction and in compliance with all by-laws, statutes, rules and regulations and in accordance with the provisions of any agreements entered into with the Municipality, Town/Township or any Governmental Authority or other governmental authority.
- e) Should the servicing or construction of the Project cease for any reason whatsoever (strikes, material shortages and weather conditions beyond the control of the Chargor excepted) for a period of at least ten (10) consecutive business days, then the principal sum secured by this Charge together with all other sums owing, at the option of the Chargee, shall immediately become due and payable. In the event that servicing or construction does cease, or the Chargor is in default hereunder or under any of the security documents, then the Chargee shall have the right, at its sole option, to assume complete control of the construction in such manner and on such terms as it deems advisable. The cost of completion incurred by the Chargee and all costs and expenses incidental thereto, together with a management fee of the greater of \$15,000 per month or five per cent (5%) of the mortgage principal plus applicable taxes or fifteen percent (15%) of the cost of such servicing and construction, shall, be added to the principal sum secured herein together with interest thereon at the rate stipulated herein, and shall be payable by the Chargor upon demand.
- f) It shall keep all mortgages, liens and encumbrances having priority over or subsequent to the within Charge in good standing and the Chargor acknowledges that a default under any one of such mortgages, liens and encumbrances shall constitute default under the within Charge.
- g) The Chargor shall not withdraw or permit the withdrawal of any monies by way of loan, cash payments, salaries, commissions, bonuses, dividends, stock dividends, withdrawal of profits, interest on capital, repayment of loans, redemption, retraction or cancellation of shares or any other means ("Monies") to any shareholder, director or officer of the Chargor or any subsidiary, affiliate, associate or relative of any shareholder, director or officer of the Chargor or any other person or persons on behalf of or for any such shareholder, director, officer, subsidiary, affiliate, associate or relative. Any Monies received by any party contrary to the provisions of the Chargor's covenant herein shall be received in trust by such party for the Chargee until the loan secured herein is fully paid and satisfied;
- h) If, from time to time during the construction of the Project, the Chargee, determines that funds are required to satisfy cost overruns, interest or costs which are not included in, or are in excess of, the Approved Budget at any time (the "Deficiency"), the Chargee may, by written notice:
- (i) require the Chargor to complete the Project and to inject additional funds into the Project in an amount equal to the Deficiency at such time; and
  - (ii) require the Guarantor to advance funds to the Chargor in an amount equal to the Deficiency at such time.

Within ten (10) days of receipt of a notice given by the Chargee as aforesaid, the Guarantor shall advance additional funds to the Chargor in an amount equal to the Deficiency specified in such notice, by way of equity investment, subordinated loans or such other method as may be approved by the Chargee, and shall cause the Chargor to use such funds to satisfy the Deficiency.

Page 27

i) The Chargor shall maintain a Segregated Account for the Project and all payments, rents, deposits, distributions and other amounts received by the Chargor from, for, or in respect of the Project, and all funds payable to the Chargor in connection with the loan secured by the within Charge shall be deposited into the Segregated Account, which shall be held in trust for the benefit of the Chargee and shall be kept separate and apart from other funds, bank accounts and property of the Chargor. The funds in the Segregated Account shall not be applied or used in respect of any other projects of the Chargor or for any other purpose whatsoever, except in respect of the Project.

A breach of any of the forgoing covenants or any other covenant in the within Charge shall be deemed to be a default hereunder and at the option of the Chargee, all sums secured by the within Charge shall become due and payable together with accrued interest.

PROVIDED that the Chargor may, at its sole option, make payments from any advance directly to pay taxes and other accounts payable with respect to the Project.

### **BLANKET MORTGAGE**

The Chargor hereby acknowledges and agrees that the principal sum secured herein shall be secured by all of the lands and premises described under Properties in the Charge/Mortgage of Land to which this Schedule is attached.

For the purposes hereof each of the parcels of land designated by the Land Titles Office in which this Charge is registered, now or in the future, with an individual PIN Number shall herein be referred to as a "Parcel" and all of the Parcels of land shall be collectively referred to as the "Charged Lands".

AND THAT:

- (a) The Charge herein shall be registered against the Charged Lands;
- (b) Each of the Parcels shall be charged with the whole of the principal sum secured herein together with all interest and costs payable hereunder;
- (c) The Chargor agrees notwithstanding anything herein to the contrary, there is no right in the Charge nor shall the Chargor be entitled to require that the principal be apportioned in respect of any of the Parcels;
- (d) The Chargor hereby agrees that each Parcel shall be the principal security for the entire principal sum secured herein;

The Chargee shall in the event of default be free to realize in its sole discretion upon any Parcel or Parcels in any order without prejudice to realizing upon any other Parcels from time to time.

Any and all remedies pursued by the Chargee against any one of the Parcels shall not release, diminish, alter or exhaust the Chargee's rights against any of the other Parcels.

### **REASONABLENESS OF FEES AND CHARGES**

The Chargor acknowledges having reviewed and had explained to it all of the possible fees and charges as set forth in this Charge which would be in addition to principal and interest due hereunder. The Chargor acknowledged and agrees that the fees and charges are reasonable and reflect a reasonable pre-estimate of Chargee's actual costs with respect to each of such charges and fees.

### **VALIDITY OF PROVISIONS**

If any provision of this Charge is held to any extent invalid or unenforceable, the remainder of this Charge shall not be affected and shall remain valid and enforceable.

Page 28

#### **TIME OF THE ESSENCE**

Time shall be of the essence in all matters relating to this Charge.

#### **INTERPRETATION AND HEADINGS**

Wherever in this Charge the singular or masculine is used, the same shall be construed as meaning the plural or the feminine or the neuter where the context or the parties hereto so require. The headings do not form part of this Charge and have been inserted for convenience of reference only.

#### **ELECTRONIC IMAGING**

The parties hereto agree that, at any time the Chargee and/or its solicitors may convert paper records of the Security Documents and all other documentation delivered to the Chargee (each, a "Paper Record") into electronic images (each, as an "Electronic Image") as part of the Chargee's and/or its solicitors' normal business practices. The parties agree that each such Electronic Image shall be considered as an authoritative copy of the Paper Record and shall be legally binding on the parties and admissible in any legal, administrative or other proceedings as conclusive evidence of the contents of such document in the same manner as the original Paper Record.

This is **Exhibit “E”**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

**085**LRO # 51 **Charge/Mortgage**

Registered as SC1971266 on 2023 04 03 at 12:09

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 6

**Properties**

*PIN* 58405 - 0667 LT *Interest/Estate* Fee Simple  
*Description* BLOCK 80, PLAN 51M887, PENETANGUISHENE.  
*Address* 61 THOMPSON RD WEST  
 PENETANGUISHENE

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* BLOCK 80 HOLDINGS INC.  
*Address for Service* 135 Holmes Avenue  
 Toronto, Ontario, M2N 4M5

A person or persons with authority to bind the corporation has/have consented to the registration of this document.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)***Capacity**Share*

*Name* 2070409 ONTARIO INC.  
*Address for Service* 55 Village Centre Place  
 Mississauga, Ontario, L4Z 1V9

**Provisions**

*Principal* \$500,000.00 *Currency* CDN  
*Calculation Period* Monthly, Not in Advance  
*Balance Due Date* 2024/03/31  
*Interest Rate* 12.00%  
*Payments* \$5,000.00  
*Interest Adjustment Date* 2023 03 31  
*Payment Date* Last Day of Each Month  
*First Payment Date* 2023 04 30  
*Last Payment Date* 2024 03 31  
*Standard Charge Terms* 200033  
*Insurance Amount* Full insurable value  
*Guarantor* Andre Sherman

**Additional Provisions**

See Schedules

**Signed By**

Sharon John Gill 106-3410 South Service Road acting for Signed 2023 04 03  
 Burlington Chargor(s)  
 L7N 3T2

Tel 289-812-1020

Fax 289-812-1027

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

OAKMONT LAW 106-3410 South Service Road 2023 04 03  
 Burlington  
 L7N 3T2

Tel 289-812-1020

Fax 289-812-1027

**Fees/Taxes/Payment**

*Statutory Registration Fee* \$69.00  
*Total Paid* \$69.00

**086**

LRO # 51 **Charge/Mortgage**

Registered as **SC1971266** on 2023 04 03 at 12:09

*The applicant(s) hereby applies to the Land Registrar.*

yyyy mm dd Page 2 of 6

**File Number**

Chargee Client File Number : A2310048

**ADDITIONAL PROVISIONS****SCHEDULE "A"**

1. This Charge/Mortgage is given as continuing security for payment to the chargee of all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Chargor to the chargee pursuant to the mortgage commitment dated March 20, 2023 (the "Mortgage Commitment") between the chargor and the chargee and a promissory note dated March 31, 2023 (the "Note") issued by the chargor to the chargee (such debts and liabilities being hereinafter called the "liabilities"), with interest at the rate set out on Page 1 of this Charge/Mortgage (the "Interest Rate").
2. The chargor covenants to pay each and every liability to the chargee punctually as the same falls due; provided that this Charge/Mortgage is void upon payment on demand of the ultimate balance of the liabilities and all promissory notes, bills of exchange, guarantees and any other instruments whatsoever from time to time representing the liabilities or any part thereof together with the Interest Rate as well after as before maturity and both before and after default and all other amounts payable by the Chargor hereunder.
3. The terms contained in this schedule (and any other schedule attached to this Charge/Mortgage) are in addition to the terms contained in the Standard Charge Terms (as identified on Page 1 of this Charge/Mortgage). In the event of any conflict between the terms contained in this schedule and those contained in the Standard Charge Terms (as identified on Page 1 of this Charge/Mortgage), the terms contained in this schedule shall, to the extent of the conflict, prevail.
4. The chargor shall, at all times, maintain the insurance required by the chargee including, but not limited to, the following coverages:
  - (a) Comprehensive General Liability insurance against loss from liability imposed by law as owner or landlord of the Property resulting from personal injury or death, and damage to or loss of property, of any person, in an amount not less than \$5,000,000 on a single occurrence basis. When Umbrella/Excess Liability insurance is evidenced, the Umbrella must follow form of the underlying Comprehensive General Liability;
  - (b) "All Risks" property insurance in an amount not less than 100% of the full replacement cost of the Property including improvements and personal property or "All Risks" Builders Risk/Course of Construction Insurance on a replacement cost basis including the existing structures and/or new build projects. The insurance must insure against damage to or destruction including but not limited to footings, foundations and all parts above and below grade in the amount that equals the full rebuilding cost; and
  - (c) Any and all other insurance coverages which the chargee may reasonably require from time to time.

Failure of the chargor to maintain the insurance coverage (as set out above) and/or to provide a copy of the policy, on demand, to the chargee, shall represent default under the mortgage.
5. The charged property must comply with all municipal, provincial and federal statues, regulations and requirements. Failure to do so shall constitute default under this Charge/Mortgage.
6. The chargee shall have the right at any reasonable time to inspect the charged property, whether this mortgage is in default or not, including the building to be held as security for the mortgage as long as any monies remain outstanding under

this Charge/Mortgage. Access shall be on 24 hours' notice to the chargor.

7. All taxes are to be paid in full as they fall due. Failure by the chargor to make such payment shall represent default under this Charge/Mortgage.
8. This Charge/Mortgage shall be non-transferable without the chargee's written consent. If a transfer is allowed, the original chargor shall remain liable for the mortgage and any arrears and expenses.
9. This mortgage also secures, in addition to the amount noted on Page 1 of this Charge/Mortgage, all monies and liabilities whether direct or contingent, now or hereafter owing or incurred by the chargee, including, but not limited to: further advances, renewal fees, property taxes paid, legal costs and payments made on behalf of the chargor on both prior and subsequent mortgages.
10. The terms and conditions of the original mortgage commitment shall continue in effect and be binding upon the chargor and the chargee, whether or not they are set out in this Charge/Mortgage.
11. If this mortgage is in arrears, and the charged property is vacant for a period of ten (10) days, it shall be deemed to be abandoned, and at the chargee's option, it may take immediate possession without notice, change the locks and secure the premises.
12. The chargee shall be entitled to add to the mortgage account, any expenses incurred, where the mortgage is in default for any reason. Default will include non-payment of taxes, allowing criminal activity at the charged premises, and abandoning the charged property. The expenses to be added to the mortgage account will include any fees or costs paid to other parties such as property managers, real estate agents, appraisers, property inspectors, mortgage collections agents, and paralegals.
13. The chargee may use its own staff and resources to administer the mortgage, when the mortgage is in default. The chargee will add to the mortgage account, lender's administration fees in order to recover expenses directly related to any default (default in payment, insurance coverage, payment of taxes, and payment on a prior mortgage). These costs are currently as follows:
 

Administrative fee in the event this Charge/Mortgage falls into arrears.	\$2,000.00 per occurrence
Administrative fee in the event the required insurance is cancelled and the chargee has to address it.	\$500.00 per occurrence
Administrative fee in the event the property taxes are in arrears and the chargee has to address it.	\$500.00 per occurrence
Administrative fee for each letter, notice, correspondence, etc. required to be sent by the chargee (or on its behalf).	\$200.00 per occurrence
Administrative fee for each visit to the charged/mortgaged property required to be made by the chargee.	\$200.00 per visit
Administrative/maintenance fee for each day the chargee is a mortgagee in possession.	\$85.00 per day
14. The chargee shall add to the mortgage account, in the case of default on the mortgage, all legal expenses incurred on a full indemnity basis.



**ADDITIONAL PROVISIONS****SCHEDULE “B”****RECEIVER**

Notwithstanding anything herein contained it is declared and agreed that at any time and from time to time when there shall be default under the provisions of these presents the chargee may at such time and from time to time and with or without entry into possession of the charged premises or any part thereof by writing under its corporate seal appoint a receiver 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 that, in making any such appointment or removal, the chargee shall be deemed to be acting as the agent or attorney for the chargor. Upon the appointment of any such receiver or receivers from time to time the following provisions shall apply:

1. That the statutory declaration of an officer of the chargee as to default under the provisions of these presents shall be conclusive evidence thereof.
2. That every such receiver shall 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 these presents or subsequent thereto;
3. That every such receiver may, in the discretion of the chargee and by writing under its corporate seal, be vested with all or any of the powers and discretions of the chargee;
4. That the chargee may from time to time by such writing fix the remuneration of every such receiver who shall be entitled to deduct the same out of the charged premises or the proceeds thereof;
5. That every such receiver shall, so far as concerns responsibility for his acts or omissions, be deemed the agent or attorney of the chargor and in no event the agent of the chargee;
6. That 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 chargee in possession in respect of the charged premises or any part thereof;
7. That every such receiver shall from time to time have the power to rent any portion of the demised premises which may become vacant 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 under seal 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 premises;
8. That every such receiver shall have full power to take all steps he deems appropriate to complete any unfinished construction upon the charged premises with the intent that the charged premises and the buildings thereof when so completed shall be the complete structure as represented by the chargor to the chargee for the purpose of obtaining this charge loan;
9. That every such receiver shall have full power to manage, operate, amend, repay, alter or extend the charged premises or any part thereof in the name of the chargor

for the purpose of securing the payment of rental from the charged premises or any part thereof; and

10. That no such receiver be liable to the chargor to account for monies or damages other than cash received by him in respect of the charged premises or any part thereof and out of such cash so received every such receiver shall in the following order pay:
  - (a) His remuneration aforesaid;
  - (b) All payments made or incurred by him in connection with the management, operation, amendment, repair, alteration or extension of the charged premises or any part thereof; or completion of any unfinished construction upon same;
  - (c) In payment of interest, principal and other money which may, from time to time, be or become charged upon the charged premises in priority to these presents, and all taxes, insurance premiums and every proper expenditure made or incurred by him in respect to the charged premises or any part thereof;
  - (d) The chargee in payment of all interest due or falling due under this charge and the balance to be applied upon principal due and payable and secured by this charge; and
  - (e) Thereafter any surplus remaining in the hands of every such receiver to the chargor, its successors and assigns.

This is **Exhibit "F"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

**GENERAL SECURITY AGREEMENT**

THIS AGREEMENT dated as of the 30th day of March, 2021.

BY:

BLOCK 80 HOLDINGS INC.  
(hereinafter called the "Debtor")

OF THE FIRST PART

IN FAVOUR OF:

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
(hereinafter called the "Secured Party")

OF THE SECOND PART

IN CONSIDERATION of the Secured Party extending credit and making or agreeing to make one or more advances to the Debtor and for other good and valuable consideration, the Debtor covenants with the Secured Party as follows:

**ARTICLE I**  
**DEFINITIONS**

1.01 **Definitions:** Capitalized terms used in this Agreement that are not defined in this section have the respective meanings ascribed thereto in the Act and all other capitalized terms used in this Agreement have the respective meanings ascribed thereto in this section:

- (a) the "Act" means the *Personal Property Security Act* RSO 1990, as amended or re-enacted from time to time;
- (b) "Buildings" means all structures, buildings and other improvements constructed, being constructed or to be constructed on the Lands;
- (c) "Collateral" means all Goods including, without limitation, Equipment and Inventory that is now or hereafter owned or acquired by or on behalf of the Debtor or in respect of which the Debtor now or hereafter has any rights and which is now or hereafter may become located on, affixed or attached to, placed upon, situate in or on, or which may arise out of, from or in connection with the ownership, use or disposition of, the Lands or the Buildings or any part thereof including, without limitation, all increases, additions, substitutions, repairs, renewals, replacements, Accessions, accretions and improvements to any such Goods and all Proceeds and other amounts derived directly or indirectly from any dealings with any such personal property.
- (d) "Expenses" means all costs, fees and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by or on behalf of the Secured Party in connection with or arising out of or from any one or more of the following:
  - (i) any act done or taken by the Secured Party or any Receiver, or any proceeding instituted by the Secured Party, the Debtor or any other person, firm or corporation, in connection with or in any way relating to any one or more of the Act, this Agreement or any part hereof, the preservation, protection, enforcement or realization of the Collateral or the Security Interest or both, the recovery of the Indebtedness and responding to enquiries regarding the scope of the Security Interest perfected by the registration of a Financing Statement under the Act;
  - (ii) the remuneration of the Receiver and its agents, if any; and
  - (iii) all amounts incurred or paid by or on behalf of the Secured Party pursuant to section 5.03 hereof;

- (e) “**Indebtedness**” means all present and future debts and liabilities due or to become due, absolute or contingent, direct or indirect, now existing or hereafter arising, owing by the Debtor to the Secured Party, whether pursuant to or under the Letter of, the Loan Documents or otherwise and includes any extensions, renewals or replacements thereof and includes the Expenses;
- (f) “**Lands**” means the lands and premises described in Schedule “A” annexed hereto;
- (g) “**Letter of Commitment**” means that certain commitment letter dated November 30<sup>th</sup>, 2020 and assigned to the Secured Party in favour of Block 80 Holdings Inc. as same may be amended from time to time;
- (h) “**Loan Documents**” means all agreements, instruments and other documents made or assigned by the Debtor in favour of the Secured Party in connection with the loan transaction contemplated in the Letter of Commitment, as same may be amended from time to time; and
- (i) “**Security Interest**” means the assignment, transfer, mortgage, charge and security interest provided for in section 2.01 hereof and “**security interest**” has the meaning ascribed thereto in the Act.

## **ARTICLE II**

### **GRANT OF SECURITY INTEREST AND ATTACHMENT**

2.01 **Security Interest:** As continuing security for the payment of the Indebtedness and the performance, fulfilment and satisfaction of all covenants, obligations and conditions on the part of the Debtor set out herein, in the Letter of Commitment and in the Loan Documents, the Debtor:

- (a) assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor’s rights, title and interest in and to the Collateral; and
- (b) grants to and in favour of the Secured Party a security interest in the Collateral;

as and by way of a fixed charge.

2.02 **Attachment:** The Debtor and Secured Party confirm that they have not postponed or agreed to postpone the time for attachment of the Security Interest and that the Debtor has received Value.

## **ARTICLE III**

### **REPRESENTATIONS, WARRANTIES AND COVENANTS**

3.01 **Representations and Warranties:** The Debtor represents and warrants that the Collateral is owned by the Debtor with good and marketable title thereto, free and clear of any assignments, executions, mortgages, charges, hypothecations, pledges, security interests, liens, demands, adverse claims and any other encumbrances whatsoever.

3.02 **Covenants:** The Debtor covenants and agrees with the Secured Party that so long as any of the Indebtedness remains outstanding:

- (a) the Debtor will at all times maintain its corporate existence;
- (b) the Debtor shall diligently maintain and operate the Collateral and shall conduct its operations in a reasonable and prudent manner so as to maintain, preserve and protect the Collateral;
- (c) the Debtor will pay all taxes, rates, levies, government fees and dues levied, assessed or imposed in respect of the Collateral or any part thereof, as and when the same become due and payable, and shall forthwith upon request by the Secured Party deliver such evidence as may satisfy the Secured Party that such taxes, rates, levies, fees and dues have been paid;

- (d) the Debtor will at all times repair the Collateral and keep the Collateral in good order and condition and renew and replace all and any of the same which may become unrepairable or destroyed;
- (e) the Debtor will insure, at its own expense, on a replacement cost basis, all items of Collateral for which insurance coverage is purchasable, at all times during which any Indebtedness exists, with insurers and pursuant to policies approved by the Secured Party, for such risks and perils as a reasonable owner of similar Collateral would consider prudent and for such other insurable risks and perils as the Secured Party may from time to time consider advisable or desirable and in respect of which insurance coverage may be available. All cancellation clauses in such policies are to provide for at least thirty (30) days' prior notice of such cancellation to the Secured Party;
- (f) the Debtor shall deliver to the Secured Party original or certified true copies of all policies of insurance required to be maintained by the Debtor pursuant hereto and the Debtor shall, at least thirty (30) days prior to the expiry of any such insurance policy, deliver to the Secured Party a renewal receipt, binder or new policy replacing such expiring insurance policy, or otherwise satisfy the Secured Party that such insurance has been renewed;
- (g) the Debtor shall cause all proceeds payable under all policies of insurance required to be maintained by the Debtor hereunder to be made payable to the Secured Party, as its interest may appear, and shall otherwise deal with such policies in such manner so as to enable all proceeds payable thereunder to be collected by the Secured Party from the insurer. The Secured Party may elect to have such insurance money applied in the reinstatement of the relevant Collateral or towards repayment of the Indebtedness whether then due or not;
- (h) the Debtor shall not create, grant, assume or otherwise permit to exist any assignment, execution, mortgage, charge, hypothec, pledge, lien, security interest or other encumbrance upon the Collateral or any part thereof or the Debtor's interest therein that ranks or is capable of being enforced in priority to or pari passu with the Security Interest;
- (i) the Debtor will from time to time at the request of the Secured Party and at the expense of the Debtor, make and do all such acts and things and execute and deliver all such instruments, security agreements and other writings and assurances as may be necessary or desirable or recommended by counsel to the Secured Party with respect to this Agreement or the Collateral or in order to perfect, keep perfected, maintain and preserve the Security Interest;
- (j) the Debtor will pay or reimburse the Secured Party upon demand for all Expenses together with interest thereon from the date of payment by the Secured Party until paid in full to the Secured Party by the Debtor at the highest rate of interest payable under the Loan Documents, calculated and compounded monthly before and after demand, maturity, default and judgment, together with interest on overdue interest at the same rate; and
- (k) the Debtor shall not transfer, convey, sell, sublease, assign or otherwise deal with or part with possession of the Collateral or any part thereof.

**ARTICLE IV**  
**EVENTS OF DEFAULT AND REMEDIES**

4.01 **Events of Default:** The Debtor shall be in default hereunder upon the occurrence of any one or more of the following events (which shall collectively be called "**Events of Default**" and individually an "**Event of Default**"):

- (a) if the Debtor is in default under or pursuant to, or otherwise fails to perform, fulfill or satisfy any covenant, obligation or condition set out in, or upon the occurrence of an event described as an "Event of Default" or a "Default" in, this Agreement, the Letter of Commitment or any of the Loan Documents; and
- (b) if the Debtor or any guarantor or covenantor of the Indebtedness or any part thereof commits an act of bankruptcy or becomes insolvent or has a receiver or receiver and manager appointed for it or over any of its assets or if any creditor takes possession of any of its assets or if any execution, distress or other like process is levied or enforced

upon the Collateral or any part thereof or if any compromise or arrangement with creditors is made by any of them.

4.02 **Remedies Upon Default:** Upon the occurrence of an Event of Default the full amount of the Indebtedness shall, at the option of the Secured Party, become due and payable whereupon the Security Interest shall immediately be enforceable by the Secured Party, and the Secured Party shall have, in addition to all other rights, powers and remedies available at law and in equity, the following rights, powers and remedies:

- (a) the Secured Party may immediately sue for the Indebtedness;
- (b) the Secured Party may appoint and reappoint by instrument in writing, or institute proceedings in any court of competent jurisdiction for the appointment or reappointment of, any person (including the Secured Party) or persons to be a receiver or receiver and manager (collectively called a "Receiver") of all or any part of the Collateral. The Secured Party may remove or replace the Receiver from time to time, and appoint another person or persons in his stead or make application to a court of competent jurisdiction to do so. Subject to the provisions of the instrument or court order appointing the Receiver, the Receiver so appointed or replaced shall have, possess and may exercise all or any part of the rights, powers and remedies of the Secured Party (whether conferred upon the Secured Party by this Agreement or otherwise). For greater certainty, where the Secured Party is referred to in this Agreement, the term shall, where the context permits, include the Receiver so appointed or replaced and the officers, employees, servants or agents of the Secured Party and the Receiver;
- (c) the Secured Party may, without notice, take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral by any method permitted by law, and to that end the Debtor agrees:
  - (i) to deliver possession of the Collateral to the Secured Party forthwith upon its receipt of a written or verbal demand therefor, at such place or places specified by the demand; and
  - (ii) that the Secured Party may, at any time during the day or night, by any lawful means, enter upon the Lands and Buildings and upon any other premises where any of the Collateral may be found for the purpose of rendering unusable any part of the Collateral which constitutes equipment or for the purpose of taking possession of and removing the Collateral or any part thereof or both;
- (d) subject to the Act, the Secured Party may without notice, advertisement, demand for payment or any other formality (all of which are hereby waived) do any act or thing to preserve the Collateral or its value, or seize, collect, realize upon, lease, dispose of, release to third parties, sell by public or private sale or any other mode of disposition as the Secured Party may consider advisable or otherwise deal with the Collateral or any part thereof in such manner, for such consideration, upon such terms and conditions and at such time or times as may, in the absolute discretion of the Secured Party, seem to it necessary or advisable;
- (e) subject to the Act, the Secured Party may without notice, retain the Collateral or any part thereof and postpone the sale or any other disposition or dealing with the Collateral or any part thereof for such period as may, in the absolute discretion of the Secured Party, seem to it necessary or advisable;
- (f) subject to the Act, the Secured Party may without notice, elect to retain all or any part of the Collateral in satisfaction of the Indebtedness or any part thereof;
- (g) subject to the Act, the Secured Party may purchase all or any part of the Collateral at any public or private sale, auction, tender or by way of any other mode of disposition;
- (h) the Secured Party may borrow money on the security of the Collateral and create security interests in the Collateral, whether or not in priority to the Security Interest, which, in the absolute discretion of the Secured Party, may impair the Debtor's right to redeem the Collateral;
- (i) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor and may enter upon, occupy and use all or any of the Buildings and buildings occupied or used by the Debtor, or in which the Collateral or any part

thereof is situate for such time as the Secured Party sees fit, free of charge, to the exclusion of the Debtor; and

- (j) the Secured Party may pay any indebtedness of the Debtor, post any security or otherwise deal with any other creditors of the Debtor in order to obtain the discharge of any mortgage, charge, hypothecation, pledge, security interest, lien, claim or other encumbrance that may exist against the Collateral or any part thereof.

4.03 **Receiver as Agent:** The Receiver shall be the agent of the Debtor for all purposes except possession of the Collateral only, which possession shall be on behalf of and as agent of the Secured Party and not the Debtor.

4.04 **Risk of Loss:** Where all or any part of the Collateral is in the possession of the Secured Party or the Receiver the risk of loss or damage, whether caused by the negligence of the Secured Party, the Receiver or otherwise, shall be the sole responsibility and obligation of the Debtor.

#### **ARTICLE V GENERAL CONTRACT PROVISIONS**

5.01 **Secured Party not Liable:** Neither the Secured Party nor the Receiver shall be bound to do any one or more of the following:

- (a) give any notice;
- (b) make or do any repair, processing or preparation for disposition of the Collateral (whether commercially reasonable or not);
- (c) use reasonable care in the custody or preservation of any of the Collateral in its possession;
- (d) keep the Collateral identifiable;
- (e) proceed in a commercially reasonable manner in the collection from debtors of the Debtor;
- (f) exercise any rights, powers and remedies whatsoever including, without limitation, seize, collect, realize upon, lease, sell or otherwise dispose of, borrow money on the security of, release to third parties, obtain possession of, obtain payment for, maintain or preserve or protect, the Collateral or any part thereof or its value; and
- (g) institute proceedings for the purpose of seizing, collecting, realizing upon, disposing of or obtaining possession of or payment for, the Collateral or any part thereof or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of same;

nor shall the Secured Party or the Receiver be liable or accountable for doing or for failing to do any one or more of the foregoing. Notwithstanding section 4.03 hereof, the Debtor shall be liable for all actions, causes of action, proceedings, debts, demands, claims, losses, damages and other liabilities incurred or suffered by the Debtor, the Secured Party or the Receiver by reason of or on account of any act or failure to act of the Receiver.

5.02 **Application of Funds:** All amounts realized from the Collateral upon the enforcement of the Security Interest shall be applied by the Secured Party or the Receiver firstly, to the payment of Expenses, secondly, to the payment of such part of the Indebtedness as constitutes interest, and thirdly, to the payment of the balance of the Indebtedness; and any deficiency shall be and remain payable by the Debtor to the Secured Party. If any surplus remains after the payments itemized herein, such surplus shall be applied in the manner provided for in the Act. Notwithstanding the foregoing, the Secured Party reserves the right to interplead or make any appropriate application pursuant to the Trustee Act (Ontario) or any successor legislation thereto.

5.03 **Performance by Secured Party:** If the Debtor fails to perform, fulfill or satisfy any covenant, obligation or condition herein set out including, without limitation, the payment of money, the Secured Party may, in its absolute discretion, but without being bound to do so, perform any such covenant, obligation or condition capable of being performed by the Secured



Party. No such performance or payment shall relieve the Debtor from any default under this Agreement or any consequence of such default.

5.04 **Rights, Powers and Remedies:** Each right, power and remedy of the Secured Party provided for in this Agreement or available at law or in equity may be exercised separately from or in combination with, and is in addition to and not in substitution for, any other right, power and remedy of the Secured Party however created. Without limiting the generality of the foregoing, the taking of judgment or judgments by the Secured Party shall not operate as a merger or affect the right of the Secured Party to interest as provided herein.

5.05 **Waiver:** No consent or waiver, express or implied, by the Secured Party to or of any breach or default by the Debtor in the performance of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default in the performance of the Debtor's obligations hereunder. Failure on the part of the Secured Party to complain of any act or failure to act of the Debtor or to declare the Debtor in default, irrespective of how long such failure continues, shall not constitute a waiver by the Secured Party of its rights hereunder.

5.06 **Dealings with Persons:** The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, guarantors, sureties and others, as the Secured Party may see fit, without prejudice to the Secured Party's rights, powers and remedies whatsoever.

5.07 **Notices:** Any notice or demand which may or is required to be given pursuant to this Agreement shall be in writing and shall be sufficiently given or made if served personally or by facsimile upon the party for whom it is intended, or (except in the case of an actual or pending disruption of postal service) mailed by registered mail, in the case of the Debtor, addressed to it at any address for service provided by the Debtor to the Secured Party under any of the Loan Documents and in the case of the Secured Party, addressed to it at the address set out in Box 15 of any mortgage held by the Secured Party in connection with the Indebtedness. The date of receipt of such notice or demand, if served personally or by facsimile, shall be deemed to be the date of the delivery thereof, or if mailed as aforesaid, the fourth business day following the date of mailing. For the purposes hereof, personal service on the Debtor shall be effectively given by delivery to any officer, director or employee of the Debtor. The Secured Party or the Debtor may, from time to time, change its address or stipulate another address from the address described in this Agreement by giving notice in the manner provided in this section.

5.08 **Successors and Assigns:** This Agreement and each of the covenants, warranties and representations herein set out shall enure to the benefit of the successors and assigns of the Secured Party and be binding upon the successors and permitted assigns of the Debtor.

5.09 **Survival:** All covenants, undertakings, agreements, representations and warranties made by the Debtor in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect until the Indebtedness is paid in full. All representations and warranties made by the Debtor herein shall be deemed to have been relied upon by the Secured Party.

5.10 **Entire Agreement:** This Agreement constitutes the entire agreement between the Debtor and the Secured Party relating to the Security Interest and may not be amended in any manner except by written instrument signed by both of them.

5.11 **Applicable Law:** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

5.12 **Time of the Essence:** Time is and shall continue to be of the essence of this Agreement.

5.13 **Headings:** The insertion of headings in this Agreement is for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.

5.14 **Number and Gender:** All nouns and personal pronouns relating thereto shall be read and construed as the number and gender may require and the verb shall be read and construed as agreeing with the noun and pronoun.

*(Balance of page left blank. Signature page to follow.)*

5.15 **Acknowledgement:** The Debtor acknowledges receipt of a duplicate executed copy of this Agreement.

BLOCK 80 HOLDINGS INC.

Per:  \_\_\_\_\_

Andre Sherman

Authorized Signing Officer

I have the authority to bind the Corporation

**SCHEDULE "A"**

**DESCRIPTION OF LANDS**

61 Thompson Road West, Town of Penetanguishene  
First Mortgage  
PIN 58405-0667 (LT)  
Block 80, Plan 51M887, Town of Penetanguishene  
(the "Property")

This is **Exhibit "G"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)



- Web Page ID: WEnqResult
- System Date: 18APR2024
- Last Modified: February 21, 2024

Note: All pages have been returned.

<b>Type of Search</b>	Business Debtor								
<b>Search Conducted On</b>	BLOCK 80 HOLDINGS INC.								
<b>File Currency</b>	17APR 2024								
	<b>File Number</b>	<b>Family</b>	<b>of Families</b>	<b>Page</b>	<b>of Pages</b>	<b>Expiry Date</b>	<b>Status</b>		
	771151194	1	1	1	1	01APR 2028			
<b>FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN</b>									
<b>File Number</b>	<b>Caution Filing</b>	<b>Page of</b>	<b>Total Pages</b>	<b>Motor Vehicle Schedule</b>	<b>Registration Number</b>	<b>Registered Under</b>	<b>Registration Period</b>		
771151194		001	1		20210401 1149 1590 7864	P PPSA	7		
<b>Individual Debtor</b>	<b>Date of Birth</b>	<b>First Given Name</b>			<b>Initial</b>	<b>Surname</b>			
<b>Business Debtor</b>	<b>Business Debtor Name</b>					<b>Ontario Corporation Number</b>			
	BLOCK 80 HOLDINGS INC.								
	<b>Address</b>				<b>City</b>	<b>Province</b>	<b>Postal Code</b>		
	135 HOLMES AVENUE				TORONTO	ON	M2N 4M5		
<b>Individual Debtor</b>	<b>Date of Birth</b>	<b>First Given Name</b>			<b>Initial</b>	<b>Surname</b>			
<b>Business Debtor</b>	<b>Business Debtor Name</b>					<b>Ontario Corporation Number</b>			
	<b>Address</b>				<b>City</b>	<b>Province</b>	<b>Postal Code</b>		
<b>Secured Party</b>	<b>Secured Party / Lien Claimant</b>								
	FIRST SOURCE FINANCIAL MANAGEMENT INC.								
	<b>Address</b>				<b>City</b>	<b>Province</b>	<b>Postal Code</b>		
	2235 SHEPPARD AVENUE EAST, SUITE 1202				TORONTO	ON	M2J 5B5		
<b>Collateral Classification</b>	<b>Consumer Goods</b>	<b>Inventory</b>	<b>Equipment</b>	<b>Accounts</b>	<b>Other</b>	<b>Motor Vehicle Included</b>	<b>Amount</b>	<b>Date of Maturity or</b>	<b>No Fixed Maturity Date</b>
		X	X	X	X				
<b>Motor Vehicle Description</b>	<b>Year</b>	<b>Make</b>			<b>Model</b>	<b>V.I.N.</b>			
<b>General Collateral Description</b>	<b>General Collateral Description</b>								
	PROPERTY USED IN CONNECTION WITH OR SITUATE AT OR ARISING FROM THE OWNERSHIP, DEVELOPMENT, USE OR DISPOSITION OF THE LANDS LOCATED AT 61 THOMPSON ROAD WEST, TOWN OF PENETANGUISHENE								
<b>Registering Agent</b>	<b>Registering Agent</b>								
	CHAITONS LLP BARRY ROTENBERG								
	<b>Address</b>				<b>City</b>	<b>Province</b>	<b>Postal Code</b>		
	5000 YONGE STREET, 10TH FLOOR				TORONTO	ON	M2N 7E9		

LAST PAGE

Note: All pages have been returned.

This is **Exhibit “H”**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

WRITS OF EXECUTION  
**OWL® Report**

**Date of Search:** April 18, 2024  
**Name Searched:** BLOCK 80 HOLDINGS INC.  
**Results:** **No writs of execution were retrieved.**

All 49 Ontario enforcement offices were searched to obtain this result, unless otherwise noted above.

The information in this report is provided on an "as is" basis and is not to be relied upon for land registration purposes.

Copyright © 2023 Teranet® Inc. Teranet eXpress, the Teranet eXpress design and OWL are registered trademarks and Ontario WritsLocator is a trademark of Teranet Inc. All rights reserved.

This is **Exhibit "I"**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)





## INCREASE AND EXTENSION AGREEMENT

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

March 8, 2022

c/o:

Anders Holteng

By email only: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com); [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (PIN 584050667) (Collectively the “Property”).

This extension agreement refers to the Commitment letter dated **November 30, 2020**.

- Loan Amount:** The principal sum shall be increased to the lesser of: (i) **\$3,975,000** or (ii) 66.25% of the “As-Complete” Appraised Value of the Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the “Loan” or “Loan Facility”).
- Maturity Date:** The balance due date and maturity date of the charge is extended to January 8<sup>th</sup>, 2023
- Interest Rate:** The interest rate pursuant to the charge shall be amended as follows –

Commencing March 1<sup>st</sup>, 2022, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts **advanced** and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 10 months after March 1<sup>st</sup>, 2022.

The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After January 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.

The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the

Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

4. **Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from the interest reserve escrow account.
5. **Prepayment:** The Charge, when not in default, shall be closed for 6 months following March 1<sup>st</sup>, 2022 and then open for repayment, in whole or in part, at any time or times, upon the Chargor providing the Chargee with thirty (30) days' prior written notice of such intention to repay.
6. **Additional Security:** The following additional security will be required:
  - a. Such other reasonable legal security as requested by the Lender and/or its legal counsel.
7. **Conditions Precedent:** The Borrower shall provide First Source with satisfactory evidence of the following otherwise the Extension Agreement shall be considered null and void:
  - a. **Appraisal:** Review and approval by the Lender of an appraisal, by the Lender's approved appraiser, addressed to the Lender and its lender clients, or if acceptable to the Lender, a Reliance Letter provided by the appraiser confirming the "As-Complete" value to be not less than **\$6,000,000** for the subject Property. The Appraisal is for the account of the Borrower.
  - b. **Property Taxes and Other Charges:** Confirmation Property Taxes, All Levies, Impost Fees, Local Improvement Charges, and Other Charges that are due and payable in connection with the subject Property have been paid.
8. **Lender Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Lender Fee to First Source in the amount of **1.85%** of the Principal Amount (\$3,975,000).
9. **Consultant Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Consultant Fee to Anders Holteng in the amount of **1.00%** of the Principal Amount (\$3,975,000).
10. **Further Rights:** There shall be no further rights of extension with respect to this Charge.
11. **Acknowledgement:** As at the Effective Date, the Chargor and Guarantor acknowledge and confirm that:
  - a. There are no claims, rights of setoff or equities with respect to the principal amount or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to any portion of the Loan
  - b. All documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement. And for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment Letter dated November 30, 2020

- c. The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan for the Commitment Letter dated November 30, 2020 provided by the Guarantor is in full force and effect with respect to the Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

This Extension Agreement is open for acceptance by the Borrower and the Guarantor until 5:00 PM on March 15<sup>th</sup>, 2022 by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Extension Agreement is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION

DocuSigned by:  
*David Mandel*  
ED38E3277FD44CB...

**David Mandel – President**

I am authorized to bind the corporation.

Principal Broker (License # 10434)

Mortgage Administrator (License # 12594)

[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)

[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

Accepted at Toronto, Ontario this 9<sup>th</sup> day of March 2022



Borrower: Block 80 Holdings Inc.

Guarantor: Andre Sherman

\_\_\_\_\_  
Witness Name:

Address:

Tel:

**Engagement Letter with Borrower**

March 8, 2022

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

c/o:

Anders Holteng

**Re: Engagement of First Source for Mortgage Loan**

First Source Mortgage Corporation (“First Source”, “we” or “us”) understand that **Block 80 Holdings Inc.** (the “Borrower” or “you”) are seeking to secure financing including through the distribution of syndicated mortgage investments described below (the “SMIs”) to qualified investors (the “Offering”). We understand further that the Borrower wishes to retain the services of First Source to provide or arrange for certain mortgage brokerage, advisory and distribution services and to act as your agent (the “Agent”) in connection with certain aspects of the Offering. By your acceptance of this engagement letter, you enter into an agreement with us (the “Agreement”) and appoint First Source to act as financial advisor and agent in connection with the Offering, on the terms and subject to the conditions set out below.

1. Offering of SMIs. First Source shall provide such advice and assistance as the Borrower may reasonably request in connection with the Offering, which shall consist of the distribution of the following SMI:

Property / Name of Project	Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario
Principal Amount	\$3,975,000
Term / Maturity	10 months plus 7 days from the Interest Adjustment Date
Priority	1 <sup>st</sup> Ranking Mortgage
Interest Rate	<p>Commencing March 1<sup>st</sup>, 2022, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts <b>advanced</b> and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts <b>unadvanced</b> with no deemed re-investment of monthly payments on the principal outstanding during the first 10 months after March 1<sup>st</sup>, 2022.</p> <p>The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After January 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be</p>

	<p>fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.</p> <p>The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.</p>
--	---

2. Defined Terms in this Agreement. For purposes of this Agreement, the following terms have the meanings set out below:

**“Canadian Securities Laws”** means any securities statutes, regulations, policies, rules, national instruments, orders, rulings and other directives or guidance and any relief therefrom of any governmental or regulatory authority of any province or territory of Canada having jurisdiction over the parties to this Agreement or the transactions contemplated hereby, all as amended or replaced from time to time;

**“Commitment Letter”** means the commitment letter of First Source setting out the terms and conditions under which your application for financing has been approved;

**“Marketing Material”** means any and all marketing, advertising, educational or other promotional material in relation to the Borrower, the Property, the Offering or the SMIs, including, without limitation, any Offering Document, any slide deck or similar presentation document, any video or material intended to be distributed via social media posting, any website disclosure, and all other similar material;

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;

**“Offering Document”** means any offering memorandum (whether or not a “offering memorandum” for purposes of Section 2.9 of NI45-106), term sheet summary, financial statement or financial projection, prospectus, subscription agreement or similar document prepared for delivery to prospective investors in connection with the distribution of the SMIs;

**“Property”** means the real property or property development project described in Section 1 hereof and in the Commitment Letter.

3. Engagement as Agent. First Source shall act as non-exclusive agent in connection with the Offering and the distribution of the SMIs. First Source make arrangements with our affiliated company, Westboro Management Ltd. (“Westboro”), an exempt market dealer registered to carry on business in Ontario, to distribute the SMIs. First Source and Westboro will identify prospective investors and negotiate the terms of the SMI as may be required. The Offering will be subject to such other terms and conditions as First Source, the Borrower and the

investors shall agree. The parties acknowledge that there can be no assurance that the Offering will be completed.

4. Services. The services to be provided to the Borrower under this Agreement may include, among other things, the following:
- (a) arranging by or through Westboro for the marketing and distribution of the SMIs;
  - (b) providing you with appropriate financial and market analyses to the extent necessary to facilitate the Offering;
  - (c) representing you in negotiations with prospective investors;
  - (d) the preparation of appropriate Offering Documents, subscription agreements and any other documentation necessary to facilitate the Offering, provided that prior to being made final, all such material will be made available for review and approval by the Borrower;
  - (e) obtaining from prospective investors all executed documents reasonably required by you with respect to the Offering;
  - (f) acting as your agent and representative with respect to the giving of all regulatory notices and/or the making of all regulatory filings required in connection with the Offering.
5. Compensation. In consideration of the services provided pursuant to this Agreement, First Source is entitled to compensation in the form of Lender Fees set out in the Commitment Letter. All amounts payable to First Source hereunder shall be subject to applicable taxes (including H.S.T.)

The Borrower acknowledges that such compensation may be required to be disclosed to securities regulatory authorities including on the filing of a Report of Exempt Distribution in accordance with the requirements of NI 45-106.

6. Expenses. Unless otherwise specified herein or agreed in writing with First Source, expenses in connection with the Engagement and the Offering, including, but not limited to, all filing fees, any other governmental fees, printing costs, postage, courier and mailing expenses, counsel and accounting fees and advertising, marketing and promotional expenses will be borne by First Source.
7. Representations and Warranties of the Agent. The Agent represents and warrants to the Borrower as follows:
- (a) it is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
  - (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
  - (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law;
  - (d) the execution, delivery and performance of this Agreement by the Agent will not violate, or result in any default under, the Agent's constating documents or by-laws, any other agreement or instrument

to which the Agent is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body;

- (e) Westboro is registered as an exempt market dealer in the Province of Ontario.

The Agent shall promptly notify the Borrower if and when any representation and warranty provided by it pursuant to section 7 of this Agreement ceases to be accurate.

8. Covenants of the Agent. The Agent covenants and agrees with the Borrower as follows:

- (a) it will use its reasonable efforts and will cause Westboro to use its reasonable efforts to sell the SMIs, subject to the terms and conditions set out in this Agreement;
- (b) it will, and will cause Westboro to, effect sales of the SMIs only in those jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements of Canadian Securities Laws pursuant to available exemptions;
- (c) while soliciting or conducting a sale of the SMIs, the Agent will, will and cause Westboro to, refrain from making any representations to any person respecting the Borrower, the Offering or the SMIs that is not derived from, and entirely consistent with, the information that is set out in any Offering Document;
- (d) it will maintain such books and records as may be required to accurately record its activities as the Agent in respect of the Offering.
- (e) it will not prepare or distribute any Marketing Material in relation to the Borrower, the Offering or the SMIs except as approved by the Borrower.

9. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Agent as follows:

- (a) it is a corporation subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law; and
- (d) the execution, delivery and performance of this Agreement by the Borrower will not violate, or result in any default under, the Borrower's constating documents, any other agreement or instrument to which the Borrower is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body.
- (e) The Borrower understands and acknowledges that each person who purchases the SMIs through Westboro will become a client of Westboro for purposes of Canadian Securities Laws and Westboro will therefore comply with the following in respect of each purchaser of SMIs:



- (i) “know-your-client”, “know your product”, suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Canadian Securities Laws;
  - (ii) anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the *Criminal Code of Canada*;
  - (iii) the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser;
- (f) to the knowledge of the Borrower, there is no action or proceeding pending against or affecting the Borrower, at law or in equity or before or by any court or federal, provincial, municipal or other government department, board or agency, domestic or foreign, including without limitation to any securities commission, or similar regulatory authority, which in any way materially adversely affects the Borrower, or the condition (financial or other) of the Borrower or which brings into question the validity of the issuance of the SMIs;
- (g) upon issuance of the SMIs pursuant to the terms of the subscription agreement between the Borrower and a purchaser, such SMIs shall have valid and legal obligations of the Borrower enforceable against the Borrower in accordance with their terms.

10. Covenants of the Borrower. The Borrower covenants and agrees as follows:

- (a) to assist the Agent in responding to any inquiries that the Agent or Westboro may receive from prospective purchasers of SMIs and subscribers from time to time;
- (b) providing prompt notice if any representation or warranty made by the Borrower in the Commitment Letter ceases to be true or accurate (or with passage of time will become untrue or inaccurate) in any material respect;
- (c) to provide to the Agent copies of any Marketing Material prepared by the Borrower or on behalf of the Borrower (by persons other than the Agent);
- (d) to promptly advise the Agent any representation or warranty made by the Borrower in this Agreement is no longer true and accurate, or if it learns of circumstances which would cause any statement contained in the Offering Documents to be materially misleading (even if such statement was not materially misleading at the time it was made).

11. Reliance by First Source on Information Provided by Borrower.

- (a) The Borrower will furnish to First Source such information as First Source reasonably requests in connection with the performance of its services hereunder. Without limiting the foregoing, the Borrower must provide all of the documentation and consent to all of the due diligence and underwriting procedures contemplated by the Commitment Letter. The Borrower acknowledges that First Source will prepare the Offering Documents relating to the SMIs on behalf of the Issuer, and that the contents of such Offering Document will be based on information contained in, or undertaken to be provided pursuant to, the Commitment Letter.
- (b) The Borrower understands, acknowledges and agrees that, in performing its services hereunder, First Source will use and rely upon such information, as well as any publicly available information regarding the Borrower and that First Source does not assume responsibility for independent verification of the

accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Borrower, including, without limitation, any financial information, forecasts or projections supplied by the Borrower. Accordingly, First Source shall be entitled to assume and rely upon the accuracy and completeness of all such information and shall not be required to conduct a physical inspection of any of the properties or assets or to prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of the Borrower.

- (c) Specifically with respect to the preparation of the Offering Documents,
  - (i) At the request of First Source, the Borrower shall review any such Offering Document or portions thereof on a timely basis, and the absence of comments shall be deemed as confirmation by the Borrower that the contents as provided to the Borrower are accurate;
  - (ii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that the information and statements contained in the Offering Documents and any Marketing Material in relation to the Borrower, the Offering or the SMIs are materially correct and accurate and do not contain a misrepresentation;
  - (iii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that neither the Offering Documents nor any Marketing Materials prepared by the Borrower, as may be applicable, contain any untrue statement of material fact, and do not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
- (d) Furthermore, the Borrower hereby appoints First Source as its agent and attorney for purposes of completing filings with securities regulators as may be required under Canadian Securities Law and NI 45-106. Specifically, the Borrower delegates to First Source authority to certify information required to be furnished to regulators pursuant to Form 45-106F1 Report of Exempt Distribution, and to file any Offering Document or amendment of any Offering Document on behalf of the Borrower. In order to permit First Source to perform this delegated function, the Borrower shall supply First Source with the information set out in Schedule A;
- (e) If any information provided to First Source by the Borrower or any information contained in the Offering Document made available to the Borrower for review and comment becomes inaccurate, incomplete or misleading in any material respect, the Borrower shall promptly so advise First Source.

## 12. Indemnification in Favour of The Borrower.

- (a) The Agent agrees to indemnify and hold harmless the Borrower, and each of their respective directors, officers, employees, partners, shareholders and advisors (each, a **"Borrower Indemnified Party"**) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that the Borrower Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Agent, including a breach of any representation and warranty provided by the Agent pursuant to this Agreement, or any breach of Canadian Securities Laws by the Agent or by Westboro.
- (b) The Agent acknowledges and agrees that the Borrower and its directors, officers, employees, partners, shareholders and advisors are intended to be third party beneficiaries of the indemnity provided by the Agent pursuant to Section 12(a) hereof and, as such, each of them is entitled to

enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Agent. To the extent necessary to entitle each of the Borrower's directors, officers, employees, partners, shareholders and advisors to enjoy the indemnity provided by the Agent pursuant to Section 12(a) hereof, the Agent hereby appoints the Borrower as the trustee for the directors, officers and employees in respect of such indemnity and the Borrower hereby accepts such appointment.

13. Indemnification in Favour of the Agent.

- (a) The Borrower agrees to indemnify and hold harmless the Agent and Westboro and each of their respective directors, officers and employees (each, an "**Agent Indemnified Party**") for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that an Agent Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Borrower, including a breach of any representation and warranty provided by the Borrower pursuant to this Agreement, or any breach of Canadian Securities Laws by the Borrower.
- (b) The Borrower acknowledges and agrees that each of the Agent's directors, officers and employees are intended to be third party beneficiaries of the indemnity provided by the Borrower pursuant to Section 13(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Borrower. To the extent necessary to entitle each of the Agent's directors, officers and employees to enjoy the indemnity provided by the Borrower pursuant to Section 13(a) hereof, the Agent hereby appoints the Agent as the trustee for the directors, officers and employees in respect of such indemnity and the Agent hereby accepts such appointment.

14. Term and Termination.

- (a) This Agreement shall commence on the date above written and, subject to earlier termination in accordance with the provisions of this Agreement, shall continue unless either Party provides written notification of termination in accordance with Section 14(b). Notwithstanding the completion of any Offering, this Agreement shall be automatically renewed for such period as required, without any further action of the parties, if the Borrower renews or extends the mortgage loan in respect of the SMI.
- (b) The following shall be the termination provisions for this Agreement. Either party may, by sending a written termination notice to the other party, terminate this Agreement at any time after the other party:
  - (i) files a voluntary petition in bankruptcy or liquidation; or
  - (ii) winds-up, dissolves, liquidates or takes steps to do so or otherwise ceases to function as a going concern or is prevented from reasonably performing its duties hereunder; or
  - (iii) an involuntary petition in bankruptcy or liquidation is filed against the other party or if a receiver or other custodian (interim or permanent) of any of the assets of the other party is appointed by private instrument or by court order or if any execution or other similar process of any court becomes enforceable against the other party, or its assets or if distress is made against the other party's assets or any part thereof, and such petition or receiver is not dismissed or stayed within 90 days after such filing, appointment or taking possession; or

- (iv) makes an assignment for the benefit of its creditors or attempts to avail itself of any applicable statute relating to insolvent debtors; or
  - (v) winds up or otherwise ceases to be a going concern; or
  - (vi) takes any similar action under similar laws of any jurisdiction.
- (c) Other than as set out in Section 12(b)(i), either party may, by sending a written termination notice to the other party, terminate this Agreement if the other party breaches any material provision of this Agreement and such breach is not cured by the other party within fifteen (15) days following the date of the written notice requiring the breach to be remedied.
- (d) This Agreement shall be considered to be terminated upon the occurrence of any of the following:
- (i) withdrawal or termination of the Commitment Letter; or
  - (ii) completion of the Offering, and the closing of the related financing, including the making of all regulatory filings in connection there with as set out in this Agreement (unless the mortgage loan is renewed or extended as provided in Section 14(a)).
- (e) Upon termination or expiration of this Agreement for any reason whatsoever, the following shall apply:
- (i) the expiration or termination of this Agreement shall not affect any rights accruing to any of the parties as of the expiration or termination nor shall it release the parties from any obligation that may have been incurred as a result of operations conducted under this Agreement;
  - (ii) both parties shall refrain from holding themselves out as a business partner, of the other except as may be otherwise expressly agreed to by both parties in writing;
  - (iii) no such termination or expiration shall affect the provisions of Sections 12, 13, 15 and 16 hereof, all of which shall survive the termination or expiration of this Agreement.
15. Nature of Relationship. The Borrower acknowledges that First Source has been retained only by the Borrower to provide the services set out herein, and that the Borrower's engagement of First Source is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Borrower or any other person not a party hereto as against First Source or any of its affiliates, or any of its or their officers, directors, controlling persons, employees or agents. Unless otherwise expressly agreed in writing by First Source, no one other than the Borrower is authorized to rely upon this Agreement or any other statements or conduct of First Source, and no one other than the Borrower is intended to be a beneficiary of this Agreement.
16. Compliance with Laws. The Company and the Agent will comply in all material respects with all applicable laws, regulations and policies, whether domestic, foreign, federal, national, provincial or otherwise, applicable to the Offering, including but not limited to the Canadian Securities Laws. In that regard, the parties agree that for purposes of NI 45-106, the "issuer" of securities is the Borrower, and the "securities" are the SMIs and the "distribution" of securities takes place on the closing of the SMI mortgage loan and the issuance of the SMIs to the purchasers. Except to the extent provided herein, the Borrower shall have all of the responsibilities and liabilities of an issuer of securities under applicable Canadian Securities Law.
17. Irrevocable Direction. This Agreement shall act as an irrevocable direction by the Borrower to the Borrower's counsel and/or First Source's counsel to release from any funds held by such counsel (whether in trust or

otherwise) all amounts due to First Source hereunder or under the Commitment Letter without further authorization or direction from the Borrower.

18. Notices. Any notice, demand, consent, request, agreement or approval which may be delivered or given pursuant to this Agreement shall be in writing and shall be sufficiently given or made is served personally upon the party to whom it is addressed or mailed by registered mail to the address of the party shown below or to such other address in Ontario as such party may from time to time advise the other parties in writing. If to:

(a) First Source:

Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York ON M2J 5B5

Attention: Mr. David Mandel

Email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

(b) Block 80 Holdings Inc.

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

Attention: Andre Sherman

Email: [block80holdingsinc@gmail.com](mailto:block80holdingsinc@gmail.com)

19. General. This Agreement shall not be assigned without the prior written consent of First Source and the Borrower; provided however, that in the event of a sale or other transaction in which the Borrower is not the surviving corporation or entity, the Borrower's remaining obligations, if any, under this Agreement shall remain in full force and effect and become obligations of the surviving corporation or entity. This Agreement shall be governed by and construed in accordance with the internal laws of the Province of Ontario without reference to principles of conflicts of law. The parties hereby expressly and irrevocably agree and consent that any action, suit or proceeding arising out of or relating to this Agreement will be submitted to binding arbitration in Toronto, Ontario. This Agreement constitutes the entire Agreement between First Source and the Borrower with respect to the subject matter hereof and supersedes all prior agreements. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please so indicate by executing this engagement letter.

Yours very truly,

**FIRST SOURCE MORTGAGE CORPORATION**

Per :   
\_\_\_\_\_  
David Mandel, President


*Acknowledgement and Acceptance*

**To: FIRST SOURCE MORTGAGE CORPORATION**

Accepted and agreed by Block 80 Holdings Inc.

Dated this 9<sup>th</sup> day of March, 2022

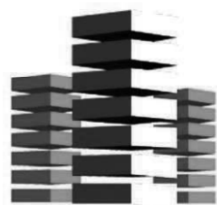
Block 80 Holdings Inc.

By :   
\_\_\_\_\_  
Andre Sherman

**SCHEDULE A**

Requested materials and information includes but is not limited to the following (provided information already supplied pursuant to the Commitment Letter need not be duplicated):

1. Borrower's full legal name, trade names or other names, head office address, mailing address and website address
2. Description of Borrower's business activities, industry sector (including NAICS industry code, if known), how Borrower was created, and any predecessor names used within the last 12 months.
3. Number of employees, SEDAR profile number if applicable, whether Borrower is a reporting issuer; Borrower's CUSIP number if applicable
4. Borrower's constating documents and description of legal structure of company and Borrower's legal entity identifier, if applicable
5. Borrower's organizational chart.
6. Borrower's ownership chart.
7. Information about Borrower's registration or licensing for other financial products.
8. Information about any past bankruptcy and confirmation that no receiver has been appointed.
9. Borrower's financial year-end and name of auditor if applicable
10. Borrower's most recent financial statements; assets as at date of most recent financial statements.
11. Information as to each of the Directors, Executive Officers and any Promoter of the Borrower
12. Information about ongoing investigations into Borrower.
13. Information about civil proceedings or civil judgements.
14. Information about criminal convictions against the Borrower or its principals.



# FIRST SOURCE MORTGAGE CORPORATION

## SECOND INCREASE AND EXTENSION AGREEMENT

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

January 6, 2023

c/o:

Anders Holteng

By email only: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com); [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (PIN 584050667) (Collectively the “Property”).

This increase and extension agreement refers to the Commitment letter dated **November 30<sup>th</sup>, 2022** and **Increase and Extension Agreement** dated **March 8<sup>th</sup>, 2022** (collectively the “**Commitment Letter**”).

1. **Loan Amount:** The principal sum shall be increased to the lesser of: (i) **\$4,425,000** or (ii) 73.75% of the “As-Complete” Appraised Value of the Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the “Loan” or “Loan Facility”).
2. **Maturity Date:** The balance due date and maturity date of the charge is extended to May 8<sup>th</sup>, 2023
3. **Interest Rate:** The interest rate pursuant to the charge shall be amended as follows –

Commencing January 1<sup>st</sup>, 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts **advanced** and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 4 months after January 1<sup>st</sup>, 2023.

The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After May 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.

This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.



The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

4. **Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from loan advance funds.

3 ~~4~~

5. **Prepayment:** Closed for ~~4~~ months, and then open on any payment date with 30 days prior written notice and the payment of one month's interest as a bonus or with 60 days' notice and no bonus.

For greater clarity, provided that upon giving thirty (30) days' prior written notice and upon payment of one (1) month's interest as a bonus, the Chargor shall have the privilege on or after the 1<sup>st</sup> day of the ~~4<sup>th</sup>~~<sup>3<sup>rd</sup></sup> month ~~4<sup>th</sup>~~ following the Interest Adjustment Date of prepaying, on any payment date, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out or, upon giving sixty (60) days' prior written notice, the Chargor shall have the privilege on or after the 1<sup>st</sup> day of the ~~4<sup>th</sup>~~<sup>3<sup>rd</sup></sup> month following the Interest Adjustment Date of prepaying, on any payment date, on the payment date as set out in the written notice, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out.

(a) if prepayment of any part of the principal secured hereunder is made by reason of payment after acceleration upon the occurrence of a default, the Chargor agrees to pay to the Chargee three (3) months' interest on the principal amount prepaid at the rate of interest chargeable hereunder at the time of prepayment as hereinbefore set out.

(b) if the principal sum, accrued interest thereon and any of the sums which may be due hereunder is not repaid on or before the Maturity Date or on the date set out in a notice of intention to discharge /repay, whichever may be applicable, then the Chargor agrees to pay to the Holder in addition to the amounts required to obtain a discharge, three (3) months interest at the rate of interest chargeable hereunder on the principal balance outstanding on the date the Mortgage was to be repaid in accordance with the foregoing notice.

6. **Additional Security:** The following additional security will be required:


- a. First charge on the subject Property in favour of First Source Financial Management Inc. registered at 1.20x the total loan amount.
- b. Such other reasonable legal security as requested by the Lender and/or its legal counsel.

7. **Conditions Precedent:** The Borrower shall provide First Source with satisfactory evidence of the following otherwise the Extension Agreement shall be considered null and void:

- a. Appraisal: Review and approval by the Lender of an appraisal, by the Lender's approved appraiser, addressed to the Lender and its lender clients, or if acceptable to the Lender, a Reliance Letter provided by the appraiser confirming the "As-Complete" value to be not less than **\$6,000,000** for the subject

Property. The Appraisal is for the account of the Borrower and is to be provided to the Lender by no later than February 1<sup>st</sup>, 2023.

- b. Property Taxes and Other Charges: Confirmation Property Taxes, All Levies, Impost Fees, Local Improvement Charges, and Other Charges that are due and payable in connection with the subject Property have been paid.

8. **Lender Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Lender Fee to First Source in the amount of **0.80%** of the Principal Amount (\$4,425,000). ~~0.20% shall be due monthly on the 1<sup>st</sup> of each month of the term of the extension (payment dates of i) January 1<sup>st</sup>, 2023, ii) February 1<sup>st</sup>, 2023, iii) March 1<sup>st</sup>, 2023, and iv) April 1<sup>st</sup>, 2023).~~ 

Said fee shall be deferred and payable upon the earlier of i) receipt of occupancy permits for the development on the subject property or ii) discharge of the subject loan.

9. **Consultant Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Consultant Fee to Anders Holteng in the amount of **0.30%** of the Principal Amount (\$4,425,000). Said fee shall be deferred and payable upon discharge of the subject loan.

10. **Further Rights:** There shall be no further rights of extension with respect to this Charge.

11. **Acknowledgement:** As at the Effective Date, the Chargor and Guarantor acknowledge and confirm that:

- a. There are no claims, rights of setoff or equities with respect to the principal amount or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to any portion of the Loan
- b. All documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement. And for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment Letter dated November 30, 2020 and Increase and Extension Agreement dated March 8<sup>th</sup>, 2022
- c. The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan for the Commitment Letter dated November 30, 2020 and Increase and Extension Agreement dated March 8<sup>th</sup>, 2022 provided by the Guarantor is in full force and effect with respect to the Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.


Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

This Extension Agreement is open for acceptance by the Borrower and the Guarantor until **5:00 PM on January 13<sup>th</sup>, 2022** by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Extension Agreement is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION

DocuSigned by:  
  
 ED38E3277FD44CB...

**David Mandel – President** CEO

I am authorized to bind the corporation.

Principal Broker (License # 10434)

Mortgage Administrator (License # 12594)

[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)

[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

Accepted at Toronto, Ontario this 9th day of January 2023

**Andre Sherman**  
 Digitally signed by Andre Sherman  
 DN: cn=Andre Sherman, o, ou, email=sherman.architect@gmail.com, c=CA  
 Date: 2023.01.09 14:28:57 -05'00'

**Andre Sherman**  
 Digitally signed by Andre Sherman  
 DN: cn=Andre Sherman, o, ou, email=sherman.architect@gmail.com, c=CA  
 Date: 2023.01.09 14:29:14 -05'00'

Borrower: Block 80 Holdings Inc.

Guarantor: Andre Sherman

Witness Name:

Address:

Tel:

**Engagement Letter with Borrower**

January 6, 2023

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

c/o:

Anders Holteng

**Re: Engagement of First Source for Mortgage Loan**

First Source Mortgage Corporation (“First Source”, “we” or “us”) understand that **Block 80 Holdings Inc.** (the “Borrower” or “you”) are seeking to secure financing including through the distribution of syndicated mortgage investments described below (the “SMIs”) to qualified investors (the “Offering”). We understand further that the Borrower wishes to retain the services of First Source to provide or arrange for certain mortgage brokerage, advisory and distribution services and to act as your agent (the “Agent”) in connection with certain aspects of the Offering. By your acceptance of this engagement letter, you enter into an agreement with us (the “Agreement”) and appoint First Source to act as financial advisor and agent in connection with the Offering, on the terms and subject to the conditions set out below.

1. Offering of SMIs. First Source shall provide such advice and assistance as the Borrower may reasonably request in connection with the Offering, which shall consist of the distribution of the following SMI:

Property / Name of Project	Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario
Principal Amount	\$4,425,000
Term / Maturity	4 months plus 7 days from the Interest Adjustment Date
Priority	1 <sup>st</sup> Ranking Mortgage
Interest Rate	Commencing January 1 <sup>st</sup> , 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts <b>advanced</b> and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts <b>unadvanced</b> with no deemed re-investment of monthly payments on the principal outstanding during the first 4 months after January 1 <sup>st</sup> , 2023.  The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After May 8 <sup>th</sup> , 2023, unless an extension agreement was previously arranged executed in writing between the

	<p>Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.</p> <p>This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.</p> <p>The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.</p>
--	--

2. Defined Terms in this Agreement. For purposes of this Agreement, the following terms have the meanings set out below:

**“Canadian Securities Laws”** means any securities statutes, regulations, policies, rules, national instruments, orders, rulings and other directives or guidance and any relief therefrom of any governmental or regulatory authority of any province or territory of Canada having jurisdiction over the parties to this Agreement or the transactions contemplated hereby, all as amended or replaced from time to time;

**“Commitment Letter”** means the commitment letter of First Source setting out the terms and conditions under which your application for financing has been approved;

**“Marketing Material”** means any and all marketing, advertising, educational or other promotional material in relation to the Borrower, the Property, the Offering or the SMIs, including, without limitation, any Offering Document, any slide deck or similar presentation document, any video or material intended to be distributed via social media posting, any website disclosure, and all other similar material;

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;

**“Offering Document”** means any offering memorandum (whether or not a “offering memorandum” for purposes of Section 2.9 of NI45-106), term sheet summary, financial statement or financial projection, prospectus, subscription agreement or similar document prepared for delivery to prospective investors in connection with the distribution of the SMIs;

**“Property”** means the real property or property development project described in Section 1 hereof and in the Commitment Letter.

3. Engagement as Agent. First Source shall act as non-exclusive agent in connection with the Offering and the distribution of the SMIs. First Source make arrangements with our affiliated company, Westboro Management Ltd. (“Westboro”), an exempt market dealer registered to carry on business in Ontario, to distribute the SMIs. First Source and Westboro will identify prospective investors and negotiate the terms of the SMI as may be required. The Offering will be subject to such other terms and conditions as First Source, the Borrower and the investors shall agree. The parties acknowledge that there can be no assurance that the Offering will be completed.
4. Services. The services to be provided to the Borrower under this Agreement may include, among other things, the following:
  - (a) arranging by or through Westboro for the marketing and distribution of the SMIs;
  - (b) providing you with appropriate financial and market analyses to the extent necessary to facilitate the Offering;
  - (c) representing you in negotiations with prospective investors;
  - (d) the preparation of appropriate Offering Documents, subscription agreements and any other documentation necessary to facilitate the Offering, provided that prior to being made final, all such material will be made available for review and approval by the Borrower;
  - (e) obtaining from prospective investors all executed documents reasonably required by you with respect to the Offering;
  - (f) acting as your agent and representative with respect to the giving of all regulatory notices and/or the making of all regulatory filings required in connection with the Offering.
5. Compensation. In consideration of the services provided pursuant to this Agreement, First Source is entitled to compensation in the form of Lender Fees set out in the Commitment Letter. All amounts payable to First Source hereunder shall be subject to applicable taxes (including H.S.T.)

The Borrower acknowledges that such compensation may be required to be disclosed to securities regulatory authorities including on the filing of a Report of Exempt Distribution in accordance with the requirements of NI 45-106.

6. Expenses. Unless otherwise specified herein or agreed in writing with First Source, expenses in connection with the Engagement and the Offering, including, but not limited to, all filing fees, any other governmental fees, printing costs, postage, courier and mailing expenses, counsel and accounting fees and advertising, marketing and promotional expenses will be borne by First Source.
7. Representations and Warranties of the Agent. The Agent represents and warrants to the Borrower as follows:
  - (a) it is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
  - (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;

- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law;
- (d) the execution, delivery and performance of this Agreement by the Agent will not violate, or result in any default under, the Agent's constating documents or by-laws, any other agreement or instrument to which the Agent is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body;
- (e) Westboro is registered as an exempt market dealer in the Province of Ontario.

The Agent shall promptly notify the Borrower if and when any representation and warranty provided by it pursuant to section 7 of this Agreement ceases to be accurate.

8. Covenants of the Agent. The Agent covenants and agrees with the Borrower as follows:

- (a) it will use its reasonable efforts and will cause Westboro to use its reasonable efforts to sell the SMIs, subject to the terms and conditions set out in this Agreement;
- (b) it will, and will cause Westboro to, effect sales of the SMIs only in those jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements of Canadian Securities Laws pursuant to available exemptions;
- (c) while soliciting or conducting a sale of the SMIs, the Agent will, will and cause Westboro to, refrain from making any representations to any person respecting the Borrower, the Offering or the SMIs that is not derived from, and entirely consistent with, the information that is set out in any Offering Document;
- (d) it will maintain such books and records as may be required to accurately record its activities as the Agent in respect of the Offering.
- (e) it will not prepare or distribute any Marketing Material in relation to the Borrower, the Offering or the SMIs except as approved by the Borrower.

9. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Agent as follows:

- (a) it is a corporation subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law; and
- (d) the execution, delivery and performance of this Agreement by the Borrower will not violate, or result in any default under, the Borrower's constating documents, any other agreement or instrument to



which the Borrower is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body.

- (e) The Borrower understands and acknowledges that each person who purchases the SMIs through Westboro will become a client of Westboro for purposes of Canadian Securities Laws and Westboro will therefore comply with the following in respect of each purchaser of SMIs:
  - (i) “know-your-client”, “know your product”, suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Canadian Securities Laws;
  - (ii) anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the *Criminal Code of Canada*;
  - (iii) the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser;
- (f) to the knowledge of the Borrower, there is no action or proceeding pending against or affecting the Borrower, at law or in equity or before or by any court or federal, provincial, municipal or other government department, board or agency, domestic or foreign, including without limitation to any securities commission, or similar regulatory authority, which in any way materially adversely affects the Borrower, or the condition (financial or other) of the Borrower or which brings into question the validity of the issuance of the SMIs;
- (g) upon issuance of the SMIs pursuant to the terms of the subscription agreement between the Borrower and a purchaser, such SMIs shall have valid and legal obligations of the Borrower enforceable against the Borrower in accordance with their terms.

10. Covenants of the Borrower. The Borrower covenants and agrees as follows:

- (a) to assist the Agent in responding to any inquiries that the Agent or Westboro may receive from prospective purchasers of SMIs and subscribers from time to time;
- (b) providing prompt notice if any representation or warranty made by the Borrower in the Commitment Letter ceases to be true or accurate (or with passage of time will become untrue or inaccurate) in any material respect;
- (c) to provide to the Agent copies of any Marketing Material prepared by the Borrower or on behalf of the Borrower (by persons other than the Agent);
- (d) to promptly advise the Agent any representation or warranty made by the Borrower in this Agreement is no longer true and accurate, or if it learns of circumstances which would cause any statement contained in the Offering Documents to be materially misleading (even if such statement was not materially misleading at the time it was made).

11. Reliance by First Source on Information Provided by Borrower.

- (a) The Borrower will furnish to First Source such information as First Source reasonably requests in connection with the performance of its services hereunder. Without limiting the foregoing, the Borrower must provide all of the documentation and consent to all of the due diligence and underwriting procedures contemplated by the Commitment Letter. The Borrower acknowledges that

First Source will prepare the Offering Documents relating to the SMIs on behalf of the Issuer, and that the contents of such Offering Document will be based on information contained in, or undertaken to be provided pursuant to, the Commitment Letter.

- (b) The Borrower understands, acknowledges and agrees that, in performing its services hereunder, First Source will use and rely upon such information, as well as any publicly available information regarding the Borrower and that First Source does not assume responsibility for independent verification of the accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Borrower, including, without limitation, any financial information, forecasts or projections supplied by the Borrower. Accordingly, First Source shall be entitled to assume and rely upon the accuracy and completeness of all such information and shall not be required to conduct a physical inspection of any of the properties or assets or to prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of the Borrower.
- (c) Specifically with respect to the preparation of the Offering Documents,
  - (i) At the request of First Source, the Borrower shall review any such Offering Document or portions thereof on a timely basis, and the absence of comments shall be deemed as confirmation by the Borrower that the contents as provided to the Borrower are accurate;
  - (ii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that the information and statements contained in the Offering Documents and any Marketing Material in relation to the Borrower, the Offering or the SMIs are materially correct and accurate and do not contain a misrepresentation;
  - (iii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that neither the Offering Documents nor any Marketing Materials prepared by the Borrower, as may be applicable, contain any untrue statement of material fact, and do not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
- (d) Furthermore, the Borrower hereby appoints First Source as its agent and attorney for purposes of completing filings with securities regulators as may be required under Canadian Securities Law and NI 45-106. Specifically, the Borrower delegates to First Source authority to certify information required to be furnished to regulators pursuant to Form 45-106F1 Report of Exempt Distribution, and to file any Offering Document or amendment of any Offering Document on behalf of the Borrower. In order to permit First Source to perform this delegated function, the Borrower shall supply First Source with the information set out in Schedule A;
- (e) If any information provided to First Source by the Borrower or any information contained in the Offering Document made available to the Borrower for review and comment becomes inaccurate, incomplete or misleading in any material respect, the Borrower shall promptly so advise First Source.

## 12. Indemnification in Favour of The Borrower.

- (a) The Agent agrees to indemnify and hold harmless the Borrower, and each of their respective directors, officers, employees, partners, shareholders and advisors (each, a **"Borrower Indemnified Party"**) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that the Borrower Indemnified Party suffers or incurs as the result of any material

breach of any term or condition of this Agreement by the Agent, including a breach of any representation and warranty provided by the Agent pursuant to this Agreement, or any breach of Canadian Securities Laws by the Agent or by Westboro.

- (b) The Agent acknowledges and agrees that the Borrower and its directors, officers, employees, partners, shareholders and advisors are intended to be third party beneficiaries of the indemnity provided by the Agent pursuant to Section 12(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Agent. To the extent necessary to entitle each of the Borrower's directors, officers, employees, partners, shareholders and advisors to enjoy the indemnity provided by the Agent pursuant to Section 12(a) hereof, the Agent hereby appoints the Borrower as the trustee for the directors, officers and employees in respect of such indemnity and the Borrower hereby accepts such appointment.

13. Indemnification in Favour of the Agent.

- (a) The Borrower agrees to indemnify and hold harmless the Agent and Westboro and each of their respective directors, officers and employees (each, an "**Agent Indemnified Party**") for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that an Agent Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Borrower, including a breach of any representation and warranty provided by the Borrower pursuant to this Agreement, or any breach of Canadian Securities Laws by the Borrower.
- (b) The Borrower acknowledges and agrees that each of the Agent's directors, officers and employees are intended to be third party beneficiaries of the indemnity provided by the Borrower pursuant to Section 13(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Borrower. To the extent necessary to entitle each of the Agent's directors, officers and employees to enjoy the indemnity provided by the Borrower pursuant to Section 13(a) hereof, the Agent hereby appoints the Agent as the trustee for the directors, officers and employees in respect of such indemnity and the Agent hereby accepts such appointment.

14. Term and Termination.

- (a) This Agreement shall commence on the date above written and, subject to earlier termination in accordance with the provisions of this Agreement, shall continue unless either Party provides written notification of termination in accordance with Section 14(b). Notwithstanding the completion of any Offering, this Agreement shall be automatically renewed for such period as required, without any further action of the parties, if the Borrower renews or extends the mortgage loan in respect of the SMI.
- (b) The following shall be the termination provisions for this Agreement. Either party may, by sending a written termination notice to the other party, terminate this Agreement at any time after the other party:
- (i) files a voluntary petition in bankruptcy or liquidation; or
- (ii) winds-up, dissolves, liquidates or takes steps to do so or otherwise ceases to function as a going concern or is prevented from reasonably performing its duties hereunder; or

- (iii) an involuntary petition in bankruptcy or liquidation is filed against the other party or if a receiver or other custodian (interim or permanent) of any of the assets of the other party is appointed by private instrument or by court order or if any execution or other similar process of any court becomes enforceable against the other party, or its assets or if distress is made against the other party's assets or any part thereof, and such petition or receiver is not dismissed or stayed within 90 days after such filing, appointment or taking possession; or
    - (iv) makes an assignment for the benefit of its creditors or attempts to avail itself of any applicable statute relating to insolvent debtors; or
    - (v) winds up or otherwise ceases to be a going concern; or
    - (vi) takes any similar action under similar laws of any jurisdiction.
  - (c) Other than as set out in Section 12(b)(i), either party may, by sending a written termination notice to the other party, terminate this Agreement if the other party breaches any material provision of this Agreement and such breach is not cured by the other party within fifteen (15) days following the date of the written notice requiring the breach to be remedied.
  - (d) This Agreement shall be considered to be terminated upon the occurrence of any of the following:
    - (i) withdrawal or termination of the Commitment Letter; or
    - (ii) completion of the Offering, and the closing of the related financing, including the making of all regulatory filings in connection there with as set out in this Agreement (unless the mortgage loan is renewed or extended as provided in Section 14(a)).
  - (e) Upon termination or expiration of this Agreement for any reason whatsoever, the following shall apply:
    - (i) the expiration or termination of this Agreement shall not affect any rights accruing to any of the parties as of the expiration or termination nor shall it release the parties from any obligation that may have been incurred as a result of operations conducted under this Agreement;
    - (ii) both parties shall refrain from holding themselves out as a business partner, of the other except as may be otherwise expressly agreed to by both parties in writing;
    - (iii) no such termination or expiration shall affect the provisions of Sections 12, 13, 15 and 16 hereof, all of which shall survive the termination or expiration of this Agreement.
15. Nature of Relationship. The Borrower acknowledges that First Source has been retained only by the Borrower to provide the services set out herein, and that the Borrower's engagement of First Source is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Borrower or any other person not a party hereto as against First Source or any of its affiliates, or any of its or their officers, directors, controlling persons, employees or agents. Unless otherwise expressly agreed in writing by First Source, no one other than the Borrower is authorized to rely upon this Agreement or any other statements or conduct of First Source, and no one other than the Borrower is intended to be a beneficiary of this Agreement.
16. Compliance with Laws. The Company and the Agent will comply in all material respects with all applicable laws, regulations and policies, whether domestic, foreign, federal, national, provincial or otherwise, applicable to the Offering, including but not limited to the Canadian Securities Laws. In that regard, the parties agree that for

purposes of NI 45-106, the “issuer” of securities is the Borrower, and the “securities” are the SMIs and the “distribution” of securities takes place on the closing of the SMI mortgage loan and the issuance of the SMIs to the purchasers. Except to the extent provided herein, the Borrower shall have all of the responsibilities and liabilities of an issuer of securities under applicable Canadian Securities Law.

17. Irrevocable Direction. This Agreement shall act as an irrevocable direction by the Borrower to the Borrower’s counsel and/or First Source’s counsel to release from any funds held by such counsel (whether in trust or otherwise) all amounts due to First Source hereunder or under the Commitment Letter without further authorization or direction from the Borrower.

18. Notices. Any notice, demand, consent, request, agreement or approval which may be delivered or given pursuant to this Agreement shall be in writing and shall be sufficiently given or made is served personally upon the party to whom it is addressed or mailed by registered mail to the address of the party shown below or to such other address in Ontario as such party may from time to time advise the other parties in writing. If to:

(a) First Source:

Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York ON M2J 5B5

Attention: Mr. David Mandel

Email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

(b) Block 80 Holdings Inc.

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

Attention: Andre Sherman

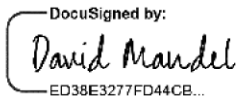
Email: [block80holdingsinc@gmail.com](mailto:block80holdingsinc@gmail.com)

19. General. This Agreement shall not be assigned without the prior written consent of First Source and the Borrower; provided however, that in the event of a sale or other transaction in which the Borrower is not the surviving corporation or entity, the Borrower’s remaining obligations, if any, under this Agreement shall remain in full force and effect and become obligations of the surviving corporation or entity. This Agreement shall be governed by and construed in accordance with the internal laws of the Province of Ontario without reference to principles of conflicts of law. The parties hereby expressly and irrevocably agree and consent that any action, suit or proceeding arising out of or relating to this Agreement will be submitted to binding arbitration in Toronto, Ontario. This Agreement constitutes the entire Agreement between First Source and the Borrower with respect to the subject matter hereof and supersedes all prior agreements. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please so indicate by executing this engagement letter.

Yours very truly,

**FIRST SOURCE MORTGAGE CORPORATION**

Per :  ED38E3277FD44CB...  
\_\_\_\_\_  
David Mandel, ~~President~~ CEO


*Acknowledgement and Acceptance*

**To: FIRST SOURCE MORTGAGE CORPORATION**

Accepted and agreed by Block 80 Holdings Inc.

Dated this

Block 80 Holdings Inc.

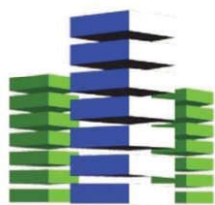
By :  Digitally signed by Andre Sherman  
DN: cn=Andre Sherman, o, ou,  
email=sherman.architect@gmail.  
com, c=CA  
Date: 2023.01.09 14:29:48 -05'00'

Andre Sherman

**SCHEDULE A**

Requested materials and information includes but is not limited to the following (provided information already supplied pursuant to the Commitment Letter need not be duplicated):

1. Borrower's full legal name, trade names or other names, head office address, mailing address and website address
2. Description of Borrower's business activities, industry sector (including NAICS industry code, if known), how Borrower was created, and any predecessor names used within the last 12 months.
3. Number of employees, SEDAR profile number if applicable, whether Borrower is a reporting issuer; Borrower's CUSIP number if applicable
4. Borrower's constating documents and description of legal structure of company and Borrower's legal entity identifier, if applicable
5. Borrower's organizational chart.
6. Borrower's ownership chart.
7. Information about Borrower's registration or licensing for other financial products.
8. Information about any past bankruptcy and confirmation that no receiver has been appointed.
9. Borrower's financial year-end and name of auditor if applicable
10. Borrower's most recent financial statements; assets as at date of most recent financial statements.
11. Information as to each of the Directors, Executive Officers and any Promoter of the Borrower
12. Information about ongoing investigations into Borrower.
13. Information about civil proceedings or civil judgements.
14. Information about criminal convictions against the Borrower or its principals.



**FIRST SOURCE**  
**MORTGAGE CORPORATION**

**THIRD EXTENSION AGREEMENT**

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

April 4, 2023

c/o:

Anders Holteng

By email only: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com); [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (PIN 584050667) (Collectively the “Property”).

This increase and extension agreement refers to the Commitment letter dated **November 30<sup>th</sup>, 2022, Increase and Extension Agreement** dated **March 8<sup>th</sup>, 2022, Second Increase and Extension Agreement** dated **January 6<sup>th</sup>, 2023**(collectively the “**Commitment Letter**”).

1. **Loan Amount:** The principal sum shall be increased to the lesser of: (i) **\$4,425,000** or (ii) 73.75% of the “As-Complete” Appraised Value of the Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the “Loan” or “Loan Facility”).
2. **Maturity Date:** The balance due date and maturity date of the charge is extended to August 8<sup>th</sup>, 2023
3. **Interest Rate:** The interest rate pursuant to the charge shall be amended as follows –

Commencing May 1<sup>st</sup>, 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts **advanced** and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 3 months after May 1<sup>st</sup>, 2023.

The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After August 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.

This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST



Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.

The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

4. **Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from loan advance funds.
5. **Prepayment:** Closed for 3 months, and then open on any payment date with 30 days prior written notice and the payment of one month's interest as a bonus or with 60 days' notice and no bonus.

For greater clarity, provided that upon giving thirty (30) days' prior written notice and upon payment of one (1) month's interest as a bonus, the Chargor shall have the privilege on or after the 1<sup>st</sup> day of the 3<sup>rd</sup> month following the Interest Adjustment Date of prepaying, on any payment date, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out or, upon giving sixty (60) days' prior written notice, the Chargor shall have the privilege on or after the 1<sup>st</sup> day of the 3<sup>rd</sup> month following the Interest Adjustment Date of prepaying, on any payment date, on the payment date as set out in the written notice, the whole or any part of the said principal sum hereby secured plus interest on the principal amount then outstanding and outstanding costs and in any event upon payment of the discharge statement administration fee of the Chargee as herein set out.

(a) if prepayment of any part of the principal secured hereunder is made by reason of payment after acceleration upon the occurrence of a default, the Chargor agrees to pay to the Chargee three (3) months' interest on the principal amount prepaid at the rate of interest chargeable hereunder at the time of prepayment as hereinbefore set out.

(b) if the principal sum, accrued interest thereon and any of the sums which may be due hereunder is not repaid on or before the Maturity Date or on the date set out in a notice of intention to discharge /repay, whichever may be applicable, then the Chargor agrees to pay to the Holder in addition to the amounts required to obtain a discharge, three (3) months interest at the rate of interest chargeable hereunder on the principal balance outstanding on the date the Mortgage was to be repaid in accordance with the foregoing notice.

6. **Additional Security:** The following additional security will be required:
  - a. First Mortgage Instrument to include a covenant of no subsequent financing without the written consent of the Lender, save and except for a second mortgage which is to be in an amount no more than \$500,000, subject to a full subordination and unlimited standstill agreement satisfactory to the Lender, in its sole and absolute discretion.
  - b. Such other reasonable legal security as requested by the Lender and/or its legal counsel.
7. **Conditions Precedent:** The Borrower shall provide First Source with satisfactory evidence of the following otherwise the Extension Agreement shall be considered null and void:

- a. Property Taxes and Other Charges: Confirmation Property Taxes, All Levies, Impost Fees, Local Improvement Charges, and Other Charges that are due and payable in connection with the subject Property have been paid.
8. **Lender Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Lender Fee to First Source in the amount of **0.60%** of the Principal Amount (\$4,425,000). Said fee shall be deferred and payable upon the earlier of i) receipt of occupancy permits for the development on the subject property or ii) discharge of the subject loan.
  9. **Consultant Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Consultant Fee to Anders Holteng in the amount of **0.20%** of the Principal Amount (\$4,425,000). Said fee shall be deferred and payable upon discharge of the subject loan.
  10. **Further Rights:** There shall be no further rights of extension with respect to this Charge.
  11. **Acknowledgement:** As at the Effective Date, the Chargor and Guarantor acknowledge and confirm that:
    - a. There are no claims, rights of setoff or equities with respect to the principal amount or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to any portion of the Loan
    - b. All documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement. And for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment Letter dated November 30, 2020, Increase and Extension Agreement dated March 8<sup>th</sup>, 2022 and Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023.
    - c. The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan for the Commitment Letter dated November 30, 2020, Increase and Extension Agreement dated March 8<sup>th</sup>, 2022 and Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023 provided by the Guarantor is in full force and effect with respect to the Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

This Extension Agreement is open for acceptance by the Borrower and the Guarantor until **5:00 PM on April 10<sup>th</sup>, 2023** by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Extension Agreement is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION

DocuSigned by:  
*David Mandel*  
ED38E3277FD44CB...

**David Mandel – CEO**

I am authorized to bind the corporation.  
Principal Broker (License # 10434)  
Mortgage Administrator (License # 12594)  
[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)  
[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

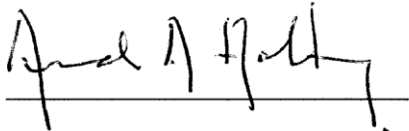
Accepted at Toronto, Ontario this 4th day of April 2023



Borrower: Block 80 Holdings Inc.



Guarantor: Andre Sherman



Witness Name: **ANDERS A. HOUTENG**  
Address: **21 BRIDGEVIEW R**  
Tel: **416.604.4165**

## Engagement Letter with Borrower

April 4, 2023

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

c/o:

Anders Holteng

**Re: Engagement of First Source for Mortgage Loan**

First Source Mortgage Corporation (“First Source”, “we” or “us”) understand that **Block 80 Holdings Inc.** (the “Borrower” or “you”) are seeking to secure financing including through the distribution of syndicated mortgage investments described below (the “SMIs”) to qualified investors (the “Offering”). We understand further that the Borrower wishes to retain the services of First Source to provide or arrange for certain mortgage brokerage, advisory and distribution services and to act as your agent (the “Agent”) in connection with certain aspects of the Offering. By your acceptance of this engagement letter, you enter into an agreement with us (the “Agreement”) and appoint First Source to act as financial advisor and agent in connection with the Offering, on the terms and subject to the conditions set out below.

1. Offering of SMIs. First Source shall provide such advice and assistance as the Borrower may reasonably request in connection with the Offering, which shall consist of the distribution of the following SMI:

Property / Name of Project	Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario
Principal Amount	\$4,425,000
Term / Maturity	3 months plus 7 days from the Interest Adjustment Date
Priority	1 <sup>st</sup> Ranking Mortgage
Interest Rate	<p>Commencing May 1<sup>st</sup>, 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts <b>advanced</b> and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts <b>unadvanced</b> with no deemed re-investment of monthly payments on the principal outstanding during the first 3 months after May 1<sup>st</sup>, 2023.</p> <p>The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After August 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be</p>

	<p>fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.</p> <p>This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.</p> <p>The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.</p>
--	---

2. Defined Terms in this Agreement. For purposes of this Agreement, the following terms have the meanings set out below:

**“Canadian Securities Laws”** means any securities statutes, regulations, policies, rules, national instruments, orders, rulings and other directives or guidance and any relief therefrom of any governmental or regulatory authority of any province or territory of Canada having jurisdiction over the parties to this Agreement or the transactions contemplated hereby, all as amended or replaced from time to time;

**“Commitment Letter”** means the commitment letter of First Source setting out the terms and conditions under which your application for financing has been approved;

**“Marketing Material”** means any and all marketing, advertising, educational or other promotional material in relation to the Borrower, the Property, the Offering or the SMIs, including, without limitation, any Offering Document, any slide deck or similar presentation document, any video or material intended to be distributed via social media posting, any website disclosure, and all other similar material;

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;

**“Offering Document”** means any offering memorandum (whether or not a “offering memorandum” for purposes of Section 2.9 of NI45-106), term sheet summary, financial statement or financial projection, prospectus, subscription agreement or similar document prepared for delivery to prospective investors in connection with the distribution of the SMIs;

**“Property”** means the real property or property development project described in Section 1 hereof and in the Commitment Letter.

3. Engagement as Agent. First Source shall act as non-exclusive agent in connection with the Offering and the distribution of the SMIs. First Source make arrangements with our affiliated company, Westboro Management Ltd. (“Westboro”), an exempt market dealer registered to carry on business in Ontario, to distribute the SMIs. First Source and Westboro will identify prospective investors and negotiate the terms of the SMI as may be required. The Offering will be subject to such other terms and conditions as First Source, the Borrower and the investors shall agree. The parties acknowledge that there can be no assurance that the Offering will be completed.
4. Services. The services to be provided to the Borrower under this Agreement may include, among other things, the following:
  - (a) arranging by or through Westboro for the marketing and distribution of the SMIs;
  - (b) providing you with appropriate financial and market analyses to the extent necessary to facilitate the Offering;
  - (c) representing you in negotiations with prospective investors;
  - (d) the preparation of appropriate Offering Documents, subscription agreements and any other documentation necessary to facilitate the Offering, provided that prior to being made final, all such material will be made available for review and approval by the Borrower;
  - (e) obtaining from prospective investors all executed documents reasonably required by you with respect to the Offering;
  - (f) acting as your agent and representative with respect to the giving of all regulatory notices and/or the making of all regulatory filings required in connection with the Offering.
5. Compensation. In consideration of the services provided pursuant to this Agreement, First Source is entitled to compensation in the form of Lender Fees set out in the Commitment Letter. All amounts payable to First Source hereunder shall be subject to applicable taxes (including H.S.T.)

The Borrower acknowledges that such compensation may be required to be disclosed to securities regulatory authorities including on the filing of a Report of Exempt Distribution in accordance with the requirements of NI 45-106.

6. Expenses. Unless otherwise specified herein or agreed in writing with First Source, expenses in connection with the Engagement and the Offering, including, but not limited to, all filing fees, any other governmental fees, printing costs, postage, courier and mailing expenses, counsel and accounting fees and advertising, marketing and promotional expenses will be borne by First Source.
7. Representations and Warranties of the Agent. The Agent represents and warrants to the Borrower as follows:
  - (a) it is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
  - (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;

- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law;
- (d) the execution, delivery and performance of this Agreement by the Agent will not violate, or result in any default under, the Agent's constating documents or by-laws, any other agreement or instrument to which the Agent is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body;
- (e) Westboro is registered as an exempt market dealer in the Province of Ontario.

The Agent shall promptly notify the Borrower if and when any representation and warranty provided by it pursuant to section 7 of this Agreement ceases to be accurate.

8. Covenants of the Agent. The Agent covenants and agrees with the Borrower as follows:

- (a) it will use its reasonable efforts and will cause Westboro to use its reasonable efforts to sell the SMIs, subject to the terms and conditions set out in this Agreement;
- (b) it will, and will cause Westboro to, effect sales of the SMIs only in those jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements of Canadian Securities Laws pursuant to available exemptions;
- (c) while soliciting or conducting a sale of the SMIs, the Agent will, will and cause Westboro to, refrain from making any representations to any person respecting the Borrower, the Offering or the SMIs that is not derived from, and entirely consistent with, the information that is set out in any Offering Document;
- (d) it will maintain such books and records as may be required to accurately record its activities as the Agent in respect of the Offering.
- (e) it will not prepare or distribute any Marketing Material in relation to the Borrower, the Offering or the SMIs except as approved by the Borrower.

9. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Agent as follows:

- (a) it is a corporation subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law; and
- (d) the execution, delivery and performance of this Agreement by the Borrower will not violate, or result in any default under, the Borrower's constating documents, any other agreement or instrument to



which the Borrower is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body.

- (e) The Borrower understands and acknowledges that each person who purchases the SMIs through Westboro will become a client of Westboro for purposes of Canadian Securities Laws and Westboro will therefore comply with the following in respect of each purchaser of SMIs:
  - (i) “know-your-client”, “know your product”, suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Canadian Securities Laws;
  - (ii) anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the *Criminal Code of Canada*;
  - (iii) the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser;
- (f) to the knowledge of the Borrower, there is no action or proceeding pending against or affecting the Borrower, at law or in equity or before or by any court or federal, provincial, municipal or other government department, board or agency, domestic or foreign, including without limitation to any securities commission, or similar regulatory authority, which in any way materially adversely affects the Borrower, or the condition (financial or other) of the Borrower or which brings into question the validity of the issuance of the SMIs;
- (g) upon issuance of the SMIs pursuant to the terms of the subscription agreement between the Borrower and a purchaser, such SMIs shall have valid and legal obligations of the Borrower enforceable against the Borrower in accordance with their terms.

10. Covenants of the Borrower. The Borrower covenants and agrees as follows:

- (a) to assist the Agent in responding to any inquiries that the Agent or Westboro may receive from prospective purchasers of SMIs and subscribers from time to time;
- (b) providing prompt notice if any representation or warranty made by the Borrower in the Commitment Letter ceases to be true or accurate (or with passage of time will become untrue or inaccurate) in any material respect;
- (c) to provide to the Agent copies of any Marketing Material prepared by the Borrower or on behalf of the Borrower (by persons other than the Agent);
- (d) to promptly advise the Agent any representation or warranty made by the Borrower in this Agreement is no longer true and accurate, or if it learns of circumstances which would cause any statement contained in the Offering Documents to be materially misleading (even if such statement was not materially misleading at the time it was made).

11. Reliance by First Source on Information Provided by Borrower.

- (a) The Borrower will furnish to First Source such information as First Source reasonably requests in connection with the performance of its services hereunder. Without limiting the foregoing, the Borrower must provide all of the documentation and consent to all of the due diligence and underwriting procedures contemplated by the Commitment Letter. The Borrower acknowledges that

First Source will prepare the Offering Documents relating to the SMIs on behalf of the Issuer, and that the contents of such Offering Document will be based on information contained in, or undertaken to be provided pursuant to, the Commitment Letter.

- (b) The Borrower understands, acknowledges and agrees that, in performing its services hereunder, First Source will use and rely upon such information, as well as any publicly available information regarding the Borrower and that First Source does not assume responsibility for independent verification of the accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Borrower, including, without limitation, any financial information, forecasts or projections supplied by the Borrower. Accordingly, First Source shall be entitled to assume and rely upon the accuracy and completeness of all such information and shall not be required to conduct a physical inspection of any of the properties or assets or to prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of the Borrower.
- (c) Specifically with respect to the preparation of the Offering Documents,
  - (i) At the request of First Source, the Borrower shall review any such Offering Document or portions thereof on a timely basis, and the absence of comments shall be deemed as confirmation by the Borrower that the contents as provided to the Borrower are accurate;
  - (ii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that the information and statements contained in the Offering Documents and any Marketing Material in relation to the Borrower, the Offering or the SMIs are materially correct and accurate and do not contain a misrepresentation;
  - (iii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that neither the Offering Documents nor any Marketing Materials prepared by the Borrower, as may be applicable, contain any untrue statement of material fact, and do not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
- (d) Furthermore, the Borrower hereby appoints First Source as its agent and attorney for purposes of completing filings with securities regulators as may be required under Canadian Securities Law and NI 45-106. Specifically, the Borrower delegates to First Source authority to certify information required to be furnished to regulators pursuant to Form 45-106F1 Report of Exempt Distribution, and to file any Offering Document or amendment of any Offering Document on behalf of the Borrower. In order to permit First Source to perform this delegated function, the Borrower shall supply First Source with the information set out in Schedule A;
- (e) If any information provided to First Source by the Borrower or any information contained in the Offering Document made available to the Borrower for review and comment becomes inaccurate, incomplete or misleading in any material respect, the Borrower shall promptly so advise First Source.

## 12. Indemnification in Favour of The Borrower.

- (a) The Agent agrees to indemnify and hold harmless the Borrower, and each of their respective directors, officers, employees, partners, shareholders and advisors (each, a **"Borrower Indemnified Party"**) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that the Borrower Indemnified Party suffers or incurs as the result of any material

breach of any term or condition of this Agreement by the Agent, including a breach of any representation and warranty provided by the Agent pursuant to this Agreement, or any breach of Canadian Securities Laws by the Agent or by Westboro.

- (b) The Agent acknowledges and agrees that the Borrower and its directors, officers, employees, partners, shareholders and advisors are intended to be third party beneficiaries of the indemnity provided by the Agent pursuant to Section 12(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Agent. To the extent necessary to entitle each of the Borrower's directors, officers, employees, partners, shareholders and advisors to enjoy the indemnity provided by the Agent pursuant to Section 12(a) hereof, the Agent hereby appoints the Borrower as the trustee for the directors, officers and employees in respect of such indemnity and the Borrower hereby accepts such appointment.

13. Indemnification in Favour of the Agent.

- (a) The Borrower agrees to indemnify and hold harmless the Agent and Westboro and each of their respective directors, officers and employees (each, an "**Agent Indemnified Party**") for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that an Agent Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Borrower, including a breach of any representation and warranty provided by the Borrower pursuant to this Agreement, or any breach of Canadian Securities Laws by the Borrower.
- (b) The Borrower acknowledges and agrees that each of the Agent's directors, officers and employees are intended to be third party beneficiaries of the indemnity provided by the Borrower pursuant to Section 13(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Borrower. To the extent necessary to entitle each of the Agent's directors, officers and employees to enjoy the indemnity provided by the Borrower pursuant to Section 13(a) hereof, the Agent hereby appoints the Agent as the trustee for the directors, officers and employees in respect of such indemnity and the Agent hereby accepts such appointment.

14. Term and Termination.

- (a) This Agreement shall commence on the date above written and, subject to earlier termination in accordance with the provisions of this Agreement, shall continue unless either Party provides written notification of termination in accordance with Section 14(b). Notwithstanding the completion of any Offering, this Agreement shall be automatically renewed for such period as required, without any further action of the parties, if the Borrower renews or extends the mortgage loan in respect of the SMI.
- (b) The following shall be the termination provisions for this Agreement. Either party may, by sending a written termination notice to the other party, terminate this Agreement at any time after the other party:
  - (i) files a voluntary petition in bankruptcy or liquidation; or
  - (ii) winds-up, dissolves, liquidates or takes steps to do so or otherwise ceases to function as a going concern or is prevented from reasonably performing its duties hereunder; or

- (iii) an involuntary petition in bankruptcy or liquidation is filed against the other party or if a receiver or other custodian (interim or permanent) of any of the assets of the other party is appointed by private instrument or by court order or if any execution or other similar process of any court becomes enforceable against the other party, or its assets or if distress is made against the other party's assets or any part thereof, and such petition or receiver is not dismissed or stayed within 90 days after such filing, appointment or taking possession; or
    - (iv) makes an assignment for the benefit of its creditors or attempts to avail itself of any applicable statute relating to insolvent debtors; or
    - (v) winds up or otherwise ceases to be a going concern; or
    - (vi) takes any similar action under similar laws of any jurisdiction.
  - (c) Other than as set out in Section 12(b)(i), either party may, by sending a written termination notice to the other party, terminate this Agreement if the other party breaches any material provision of this Agreement and such breach is not cured by the other party within fifteen (15) days following the date of the written notice requiring the breach to be remedied.
  - (d) This Agreement shall be considered to be terminated upon the occurrence of any of the following:
    - (i) withdrawal or termination of the Commitment Letter; or
    - (ii) completion of the Offering, and the closing of the related financing, including the making of all regulatory filings in connection there with as set out in this Agreement (unless the mortgage loan is renewed or extended as provided in Section 14(a)).
  - (e) Upon termination or expiration of this Agreement for any reason whatsoever, the following shall apply:
    - (i) the expiration or termination of this Agreement shall not affect any rights accruing to any of the parties as of the expiration or termination nor shall it release the parties from any obligation that may have been incurred as a result of operations conducted under this Agreement;
    - (ii) both parties shall refrain from holding themselves out as a business partner, of the other except as may be otherwise expressly agreed to by both parties in writing;
    - (iii) no such termination or expiration shall affect the provisions of Sections 12, 13, 15 and 16 hereof, all of which shall survive the termination or expiration of this Agreement.
15. Nature of Relationship. The Borrower acknowledges that First Source has been retained only by the Borrower to provide the services set out herein, and that the Borrower's engagement of First Source is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Borrower or any other person not a party hereto as against First Source or any of its affiliates, or any of its or their officers, directors, controlling persons, employees or agents. Unless otherwise expressly agreed in writing by First Source, no one other than the Borrower is authorized to rely upon this Agreement or any other statements or conduct of First Source, and no one other than the Borrower is intended to be a beneficiary of this Agreement.
16. Compliance with Laws. The Company and the Agent will comply in all material respects with all applicable laws, regulations and policies, whether domestic, foreign, federal, national, provincial or otherwise, applicable to the Offering, including but not limited to the Canadian Securities Laws. In that regard, the parties agree that for

purposes of NI 45-106, the “issuer” of securities is the Borrower, and the “securities” are the SMIs and the “distribution” of securities takes place on the closing of the SMI mortgage loan and the issuance of the SMIs to the purchasers. Except to the extent provided herein, the Borrower shall have all of the responsibilities and liabilities of an issuer of securities under applicable Canadian Securities Law.

17. Irrevocable Direction. This Agreement shall act as an irrevocable direction by the Borrower to the Borrower’s counsel and/or First Source’s counsel to release from any funds held by such counsel (whether in trust or otherwise) all amounts due to First Source hereunder or under the Commitment Letter without further authorization or direction from the Borrower.
18. Notices. Any notice, demand, consent, request, agreement or approval which may be delivered or given pursuant to this Agreement shall be in writing and shall be sufficiently given or made is served personally upon the party to whom it is addressed or mailed by registered mail to the address of the party shown below or to such other address in Ontario as such party may from time to time advise the other parties in writing. If to:

- (a) First Source:

Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York ON M2J 5B5

Attention: Mr. David Mandel

Email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

- (b) Block 80 Holdings Inc.

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

Attention: Andre Sherman

Email: [block80holdingsinc@gmail.com](mailto:block80holdingsinc@gmail.com)

19. General. This Agreement shall not be assigned without the prior written consent of First Source and the Borrower; provided however, that in the event of a sale or other transaction in which the Borrower is not the surviving corporation or entity, the Borrower’s remaining obligations, if any, under this Agreement shall remain in full force and effect and become obligations of the surviving corporation or entity. This Agreement shall be governed by and construed in accordance with the internal laws of the Province of Ontario without reference to principles of conflicts of law. The parties hereby expressly and irrevocably agree and consent that any action, suit or proceeding arising out of or relating to this Agreement will be submitted to binding arbitration in Toronto, Ontario. This Agreement constitutes the entire Agreement between First Source and the Borrower with respect to the subject matter hereof and supersedes all prior agreements. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please so indicate by executing this engagement letter.

Yours very truly,

**FIRST SOURCE MORTGAGE CORPORATION**

Per :   
\_\_\_\_\_  
David Mandel, CEO


*Acknowledgement and Acceptance*

**To: FIRST SOURCE MORTGAGE CORPORATION**

Accepted and agreed by Block 80 Holdings Inc.

Dated this

Block 80 Holdings Inc.

By :   
\_\_\_\_\_  
Andre Sherman

**SCHEDULE A**

Requested materials and information includes but is not limited to the following (provided information already supplied pursuant to the Commitment Letter need not be duplicated):

1. Borrower's full legal name, trade names or other names, head office address, mailing address and website address
2. Description of Borrower's business activities, industry sector (including NAICS industry code, if known), how Borrower was created, and any predecessor names used within the last 12 months.
3. Number of employees, SEDAR profile number if applicable, whether Borrower is a reporting issuer; Borrower's CUSIP number if applicable
4. Borrower's constating documents and description of legal structure of company and Borrower's legal entity identifier, if applicable
5. Borrower's organizational chart.
6. Borrower's ownership chart.
7. Information about Borrower's registration or licensing for other financial products.
8. Information about any past bankruptcy and confirmation that no receiver has been appointed.
9. Borrower's financial year-end and name of auditor if applicable
10. Borrower's most recent financial statements; assets as at date of most recent financial statements.
11. Information as to each of the Directors, Executive Officers and any Promoter of the Borrower
12. Information about ongoing investigations into Borrower.
13. Information about civil proceedings or civil judgements.
14. Information about criminal convictions against the Borrower or its principals.



## FOURTH INCREASE AND EXTENSION AGREEMENT

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

August 10, 2023

c/o:

Anders Holteng

By email only: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com); [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (PIN 584050667) (Collectively the “Property”).

This increase and extension agreement refers to the **Commitment letter dated November 30<sup>th</sup>, 2022, Increase and Extension Agreement dated March 8<sup>th</sup>, 2022, Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023, and Third Increase and Extension Agreement dated April 4<sup>th</sup>, 2023** (collectively the “Commitment Letter”).

1. **Loan Amount:** The principal sum shall be increased to the lesser of: (i) **\$4,650,000** or (ii) 66.43% of the “As-Complete” Appraised Value of the Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the “Loan” or “Loan Facility”).
2. **Maturity Date:** The balance due date and maturity date of the charge is extended to September 8<sup>th</sup>, 2023.
3. **Interest Rate:** The interest rate pursuant to the charge shall be amended as follows –

Commencing August 1<sup>st</sup>, 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts **advanced** and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 1 month after August 1<sup>st</sup>, 2023.

The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After September 8<sup>th</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.

This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST



Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.

The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

4. **Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from loan advance funds.
5. **Prepayment:** Open for full prepayment on any date.
6. **Additional Security:** The following additional security will be required:
  - a. First charge on the subject Property in favour of First Source Financial Management Inc. registered at 1.20x the total loan amount.
  - b. Such other reasonable legal security as requested by the Lender and/or its legal counsel.
7. **Conditions Precedent:** The Borrower shall provide First Source with satisfactory evidence of the following otherwise the Extension Agreement shall be considered null and void:
  - a. Property Taxes and Other Charges: Confirmation Property Taxes, All Levies, Impost Fees, Local Improvement Charges, and Other Charges that are due and payable in connection with the subject Property have been paid.
8. **Lender Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Lender Fee to First Source in the amount of **0.20%** of the Principal Amount (\$4,650,000). Said fee shall be deferred and payable upon the earlier of i) receipt of occupancy permits for the development on the subject property or ii) discharge of the subject loan.
9. **Consultant Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Consultant Fee to Anders Holteng in the amount of **0.10%** of the Principal Amount (\$4,650,000). Said fee shall be deferred and payable upon discharge of the subject loan.
10. **Further Rights:** There shall be no further rights of extension with respect to this Charge.
11. **Acknowledgement:** As at the Effective Date, the Chargor and Guarantor acknowledge and confirm that:
  - a. There are no claims, rights of setoff or equities with respect to the principal amount or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to any portion of the Loan
  - b. All documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent

and meaning of this Agreement. And for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment letter

- c. The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan for the Commitment letter provided by the Guarantor is in full force and effect with respect to the Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

This Extension Agreement is open for acceptance by the Borrower and the Guarantor until **5:00 PM on August 17<sup>th</sup>, 2023** by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Extension Agreement is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION

---

**David Mandel – CEO**

I am authorized to bind the corporation.

Principal Broker (License # 10434)

Mortgage Administrator (License # 12594)

[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)

[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

Accepted at \_\_\_\_\_, Ontario this \_\_\_\_ day of \_\_\_\_\_ 2023

---

Borrower: Block 80 Holdings Inc.

---

Guarantor: Andre Sherman

---

Witness Name:

Address:

Tel:

## Engagement Letter with Borrower

August 10, 2023

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

c/o:

Anders Holteng

**Re: Engagement of First Source for Mortgage Loan**

First Source Mortgage Corporation (“First Source”, “we” or “us”) understand that **Block 80 Holdings Inc.** (the “Borrower” or “you”) are seeking to secure financing including through the distribution of syndicated mortgage investments described below (the “SMIs”) to qualified investors (the “Offering”). We understand further that the Borrower wishes to retain the services of First Source to provide or arrange for certain mortgage brokerage, advisory and distribution services and to act as your agent (the “Agent”) in connection with certain aspects of the Offering. By your acceptance of this engagement letter, you enter into an agreement with us (the “Agreement”) and appoint First Source to act as financial advisor and agent in connection with the Offering, on the terms and subject to the conditions set out below.

1. Offering of SMIs. First Source shall provide such advice and assistance as the Borrower may reasonably request in connection with the Offering, which shall consist of the distribution of the following SMI:

Property / Name of Project	Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario
Principal Amount	\$4,650,000
Term / Maturity	1 month plus 7 days from the Interest Adjustment Date
Priority	1 <sup>st</sup> Ranking Mortgage
Interest Rate	Commencing August 1 <sup>st</sup> , 2023, the Interest Rate shall be the higher of (i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated monthly on amounts <b>advanced</b> and the higher of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% on amounts <b>unadvanced</b> with no deemed re-investment of monthly payments on the principal outstanding during the first 1 month after August 1 <sup>st</sup> , 2023.  The higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated monthly with no deemed re-investment of monthly payments on the principal outstanding for the final 7 days of the term. On and After September 8 <sup>th</sup> , 2023, unless an extension agreement was previously arranged executed in writing between

	<p>the Borrower and Lender, the rate on funds advanced shall be fixed at the higher of (i) 18.00% or (ii) CIBC Prime + 15.30% per annum calculated and payable monthly with no deemed re-investment of monthly payments on the principal outstanding until discharged.</p> <p>This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% which cost is subject to any H.S.T. (the “HST Administration Tax”). The HST Administration Tax only is for the account of the Borrower and an estimated amount is to be deducted from the Loan Advance. The Lender shall advise the Borrower of the HST Administration Tax on or before Closing.</p> <p>The Charge and Promissory Note shall provide for an interest rate of 18% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.</p>
--	--

2. Defined Terms in this Agreement. For purposes of this Agreement, the following terms have the meanings set out below:

**“Canadian Securities Laws”** means any securities statutes, regulations, policies, rules, national instruments, orders, rulings and other directives or guidance and any relief therefrom of any governmental or regulatory authority of any province or territory of Canada having jurisdiction over the parties to this Agreement or the transactions contemplated hereby, all as amended or replaced from time to time;

**“Commitment Letter”** means the commitment letter of First Source setting out the terms and conditions under which your application for financing has been approved;

**“Marketing Material”** means any and all marketing, advertising, educational or other promotional material in relation to the Borrower, the Property, the Offering or the SMIs, including, without limitation, any Offering Document, any slide deck or similar presentation document, any video or material intended to be distributed via social media posting, any website disclosure, and all other similar material;

**“NI 45-106”** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;

**“Offering Document”** means any offering memorandum (whether or not a “offering memorandum” for purposes of Section 2.9 of NI45-106), term sheet summary, financial statement or financial projection, prospectus, subscription agreement or similar document prepared for delivery to prospective investors in connection with the distribution of the SMIs;

**“Property”** means the real property or property development project described in Section 1 hereof and in the Commitment Letter.

3. Engagement as Agent. First Source shall act as non-exclusive agent in connection with the Offering and the distribution of the SMIs. First Source make arrangements with our affiliated company, Westboro Management Ltd. (“Westboro”), or with Waverley Corporate Financial Services Ltd. (“Waverley”), an exempt market dealer registered to carry on business in Ontario, to distribute the SMIs. First Source and Westboro or Waverly will identify prospective investors and negotiate the terms of the SMI as may be required. The Offering will be subject to such other terms and conditions as First Source, the Borrower and the investors shall agree. The parties acknowledge that there can be no assurance that the Offering will be completed.
4. Services. The services to be provided to the Borrower under this Agreement may include, among other things, the following:
  - (a) arranging by or through Westboro or Waverly for the marketing and distribution of the SMIs;
  - (b) providing you with appropriate financial and market analyses to the extent necessary to facilitate the Offering;
  - (c) representing you in negotiations with prospective investors;
  - (d) the preparation of appropriate Offering Documents, subscription agreements and any other documentation necessary to facilitate the Offering, provided that prior to being made final, all such material will be made available for review and approval by the Borrower;
  - (e) obtaining from prospective investors all executed documents reasonably required by you with respect to the Offering;
  - (f) acting as your agent and representative with respect to the giving of all regulatory notices and/or the making of all regulatory filings required in connection with the Offering.
5. Compensation. In consideration of the services provided pursuant to this Agreement, First Source is entitled to compensation in the form of Lender Fees set out in the Commitment Letter. All amounts payable to First Source hereunder shall be subject to applicable taxes (including H.S.T.)

The Borrower acknowledges that such compensation may be required to be disclosed to securities regulatory authorities including on the filing of a Report of Exempt Distribution in accordance with the requirements of NI 45-106.

6. Expenses. Unless otherwise specified herein or agreed in writing with First Source, expenses in connection with the Engagement and the Offering, including, but not limited to, all filing fees, any other governmental fees, printing costs, postage, courier and mailing expenses, counsel and accounting fees and advertising, marketing and promotional expenses will be borne by First Source.
7. Representations and Warranties of the Agent. The Agent represents and warrants to the Borrower as follows:
  - (a) it is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
  - (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;

- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law;
- (d) the execution, delivery and performance of this Agreement by the Agent will not violate, or result in any default under, the Agent's constating documents or by-laws, any other agreement or instrument to which the Agent is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body;
- (e) Westboro and Waverly are registered as an exempt market dealer in the Province of Ontario.

The Agent shall promptly notify the Borrower if and when any representation and warranty provided by it pursuant to section 7 of this Agreement ceases to be accurate.

8. Covenants of the Agent. The Agent covenants and agrees with the Borrower as follows:

- (a) it will use its reasonable efforts and will cause Westboro or Waverly to use its reasonable efforts to sell the SMIs, subject to the terms and conditions set out in this Agreement;
- (b) it will, and will cause Westboro or Waverly to, effect sales of the SMIs only in those jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements of Canadian Securities Laws pursuant to available exemptions;
- (c) while soliciting or conducting a sale of the SMIs, the Agent will, will and cause Westboro or Waverly to, refrain from making any representations to any person respecting the Borrower, the Offering or the SMIs that is not derived from, and entirely consistent with, the information that is set out in any Offering Document;
- (d) it will maintain such books and records as may be required to accurately record its activities as the Agent in respect of the Offering.
- (e) it will not prepare or distribute any Marketing Material in relation to the Borrower, the Offering or the SMIs except as approved by the Borrower.

9. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Agent as follows:

- (a) it is a corporation subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law; and
- (d) the execution, delivery and performance of this Agreement by the Borrower will not violate, or result in any default under, the Borrower's constating documents, any other agreement or instrument to

which the Borrower is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body.

- (e) The Borrower understands and acknowledges that each person who purchases the SMIs through Westboro or Waverly will become a client of Westboro or Waverly for purposes of Canadian Securities Laws and Westboro or Waverly will therefore comply with the following in respect of each purchaser of SMIs:
  - (i) “know-your-client”, “know your product”, suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Canadian Securities Laws;
  - (ii) anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the *Criminal Code of Canada*;
  - (iii) the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser;
- (f) to the knowledge of the Borrower, there is no action or proceeding pending against or affecting the Borrower, at law or in equity or before or by any court or federal, provincial, municipal or other government department, board or agency, domestic or foreign, including without limitation to any securities commission, or similar regulatory authority, which in any way materially adversely affects the Borrower, or the condition (financial or other) of the Borrower or which brings into question the validity of the issuance of the SMIs;
- (g) upon issuance of the SMIs pursuant to the terms of the subscription agreement between the Borrower and a purchaser, such SMIs shall have valid and legal obligations of the Borrower enforceable against the Borrower in accordance with their terms.

10. Covenants of the Borrower. The Borrower covenants and agrees as follows:

- (a) to assist the Agent in responding to any inquiries that the Agent or Westboro or Waverly may receive from prospective purchasers of SMIs and subscribers from time to time;
- (b) providing prompt notice if any representation or warranty made by the Borrower in the Commitment Letter ceases to be true or accurate (or with passage of time will become untrue or inaccurate) in any material respect;
- (c) to provide to the Agent copies of any Marketing Material prepared by the Borrower or on behalf of the Borrower (by persons other than the Agent);
- (d) to promptly advise the Agent any representation or warranty made by the Borrower in this Agreement is no longer true and accurate, or if it learns of circumstances which would cause any statement contained in the Offering Documents to be materially misleading (even if such statement was not materially misleading at the time it was made).

11. Reliance by First Source on Information Provided by Borrower.

- (a) The Borrower will furnish to First Source such information as First Source reasonably requests in connection with the performance of its services hereunder. Without limiting the foregoing, the Borrower must provide all of the documentation and consent to all of the due diligence and



underwriting procedures contemplated by the Commitment Letter. The Borrower acknowledges that First Source will prepare the Offering Documents relating to the SMIs on behalf of the Issuer, and that the contents of such Offering Document will be based on information contained in, or undertaken to be provided pursuant to, the Commitment Letter.

- (b) The Borrower understands, acknowledges and agrees that, in performing its services hereunder, First Source will use and rely upon such information, as well as any publicly available information regarding the Borrower and that First Source does not assume responsibility for independent verification of the accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Borrower, including, without limitation, any financial information, forecasts or projections supplied by the Borrower. Accordingly, First Source shall be entitled to assume and rely upon the accuracy and completeness of all such information and shall not be required to conduct a physical inspection of any of the properties or assets or to prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of the Borrower.
- (c) Specifically with respect to the preparation of the Offering Documents,
  - (i) At the request of First Source, the Borrower shall review any such Offering Document or portions thereof on a timely basis, and the absence of comments shall be deemed as confirmation by the Borrower that the contents as provided to the Borrower are accurate;
  - (ii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that the information and statements contained in the Offering Documents and any Marketing Material in relation to the Borrower, the Offering or the SMIs are materially correct and accurate and do not contain a misrepresentation;
  - (iii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that neither the Offering Documents nor any Marketing Materials prepared by the Borrower, as may be applicable, contain any untrue statement of material fact, and do not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
- (d) Furthermore, the Borrower hereby appoints First Source as its agent and attorney for purposes of completing filings with securities regulators as may be required under Canadian Securities Law and NI 45-106. Specifically, the Borrower delegates to First Source authority to certify information required to be furnished to regulators pursuant to Form 45-106F1 Report of Exempt Distribution, and to file any Offering Document or amendment of any Offering Document on behalf of the Borrower. In order to permit First Source to perform this delegated function, the Borrower shall supply First Source with the information set out in Schedule A;
- (e) If any information provided to First Source by the Borrower or any information contained in the Offering Document made available to the Borrower for review and comment becomes inaccurate, incomplete or misleading in any material respect, the Borrower shall promptly so advise First Source.

## 12. Indemnification in Favour of The Borrower.

- (a) The Agent agrees to indemnify and hold harmless the Borrower, and each of their respective directors, officers, employees, partners, shareholders and advisors (each, a **"Borrower Indemnified Party"**) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and

disbursements, that the Borrower Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Agent, including a breach of any representation and warranty provided by the Agent pursuant to this Agreement, or any breach of Canadian Securities Laws by the Agent or by Westboro or by Waverly.

- (b) The Agent acknowledges and agrees that the Borrower and its directors, officers, employees, partners, shareholders and advisors are intended to be third party beneficiaries of the indemnity provided by the Agent pursuant to Section 12(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Agent. To the extent necessary to entitle each of the Borrower's directors, officers, employees, partners, shareholders and advisors to enjoy the indemnity provided by the Agent pursuant to Section 12(a) hereof, the Agent hereby appoints the Borrower as the trustee for the directors, officers and employees in respect of such indemnity and the Borrower hereby accepts such appointment.

13. Indemnification in Favour of the Agent.

- (a) The Borrower agrees to indemnify and hold harmless the Agent and Westboro and Waverly and each of their respective directors, officers and employees (each, an "**Agent Indemnified Party**") for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that an Agent Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Borrower, including a breach of any representation and warranty provided by the Borrower pursuant to this Agreement, or any breach of Canadian Securities Laws by the Borrower.
- (b) The Borrower acknowledges and agrees that each of the Agent's directors, officers and employees are intended to be third party beneficiaries of the indemnity provided by the Borrower pursuant to Section 13(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Borrower. To the extent necessary to entitle each of the Agent's directors, officers and employees to enjoy the indemnity provided by the Borrower pursuant to Section 13(a) hereof, the Agent hereby appoints the Agent as the trustee for the directors, officers and employees in respect of such indemnity and the Agent hereby accepts such appointment.

14. Term and Termination.

- (a) This Agreement shall commence on the date above written and, subject to earlier termination in accordance with the provisions of this Agreement, shall continue unless either Party provides written notification of termination in accordance with Section 14(b). Notwithstanding the completion of any Offering, this Agreement shall be automatically renewed for such period as required, without any further action of the parties, if the Borrower renews or extends the mortgage loan in respect of the SMI.
- (b) The following shall be the termination provisions for this Agreement. Either party may, by sending a written termination notice to the other party, terminate this Agreement at any time after the other party:
  - (i) files a voluntary petition in bankruptcy or liquidation; or
  - (ii) winds-up, dissolves, liquidates or takes steps to do so or otherwise ceases to function as a going concern or is prevented from reasonably performing its duties hereunder; or

- (iii) an involuntary petition in bankruptcy or liquidation is filed against the other party or if a receiver or other custodian (interim or permanent) of any of the assets of the other party is appointed by private instrument or by court order or if any execution or other similar process of any court becomes enforceable against the other party, or its assets or if distress is made against the other party's assets or any part thereof, and such petition or receiver is not dismissed or stayed within 90 days after such filing, appointment or taking possession; or
    - (iv) makes an assignment for the benefit of its creditors or attempts to avail itself of any applicable statute relating to insolvent debtors; or
    - (v) winds up or otherwise ceases to be a going concern; or
    - (vi) takes any similar action under similar laws of any jurisdiction.
  - (c) Other than as set out in Section 12(b)(i), either party may, by sending a written termination notice to the other party, terminate this Agreement if the other party breaches any material provision of this Agreement and such breach is not cured by the other party within fifteen (15) days following the date of the written notice requiring the breach to be remedied.
  - (d) This Agreement shall be considered to be terminated upon the occurrence of any of the following:
    - (i) withdrawal or termination of the Commitment Letter; or
    - (ii) completion of the Offering, and the closing of the related financing, including the making of all regulatory filings in connection there with as set out in this Agreement (unless the mortgage loan is renewed or extended as provided in Section 14(a)).
  - (e) Upon termination or expiration of this Agreement for any reason whatsoever, the following shall apply:
    - (i) the expiration or termination of this Agreement shall not affect any rights accruing to any of the parties as of the expiration or termination nor shall it release the parties from any obligation that may have been incurred as a result of operations conducted under this Agreement;
    - (ii) both parties shall refrain from holding themselves out as a business partner, of the other except as may be otherwise expressly agreed to by both parties in writing;
    - (iii) no such termination or expiration shall affect the provisions of Sections 12, 13, 15 and 16 hereof, all of which shall survive the termination or expiration of this Agreement.
15. Nature of Relationship. The Borrower acknowledges that First Source has been retained only by the Borrower to provide the services set out herein, and that the Borrower's engagement of First Source is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Borrower or any other person not a party hereto as against First Source or any of its affiliates, or any of its or their officers, directors, controlling persons, employees or agents. Unless otherwise expressly agreed in writing by First Source, no one other than the Borrower is authorized to rely upon this Agreement or any other statements or conduct of First Source, and no one other than the Borrower is intended to be a beneficiary of this Agreement.
16. Compliance with Laws. The Company and the Agent will comply in all material respects with all applicable laws, regulations and policies, whether domestic, foreign, federal, national, provincial or otherwise, applicable to the Offering, including but not limited to the Canadian Securities Laws. In that regard, the parties agree that for

purposes of NI 45-106, the “issuer” of securities is the Borrower, and the “securities” are the SMIs and the “distribution” of securities takes place on the closing of the SMI mortgage loan and the issuance of the SMIs to the purchasers. Except to the extent provided herein, the Borrower shall have all of the responsibilities and liabilities of an issuer of securities under applicable Canadian Securities Law.

17. Irrevocable Direction. This Agreement shall act as an irrevocable direction by the Borrower to the Borrower’s counsel and/or First Source’s counsel to release from any funds held by such counsel (whether in trust or otherwise) all amounts due to First Source hereunder or under the Commitment Letter without further authorization or direction from the Borrower.
18. Notices. Any notice, demand, consent, request, agreement or approval which may be delivered or given pursuant to this Agreement shall be in writing and shall be sufficiently given or made is served personally upon the party to whom it is addressed or mailed by registered mail to the address of the party shown below or to such other address in Ontario as such party may from time to time advise the other parties in writing. If to:

- (a) First Source:

Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York ON M2J 5B5

Attention: Mr. David Mandel

Email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

- (b) Block 80 Holdings Inc.

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

Attention: Andre Sherman

Email: [block80holdingsinc@gmail.com](mailto:block80holdingsinc@gmail.com)

19. General. This Agreement shall not be assigned without the prior written consent of First Source and the Borrower; provided however, that in the event of a sale or other transaction in which the Borrower is not the surviving corporation or entity, the Borrower’s remaining obligations, if any, under this Agreement shall remain in full force and effect and become obligations of the surviving corporation or entity. This Agreement shall be governed by and construed in accordance with the internal laws of the Province of Ontario without reference to principles of conflicts of law. The parties hereby expressly and irrevocably agree and consent that any action, suit or proceeding arising out of or relating to this Agreement will be submitted to binding arbitration in Toronto, Ontario. This Agreement constitutes the entire Agreement between First Source and the Borrower with respect to the subject matter hereof and supersedes all prior agreements. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please so indicate by executing this engagement letter.

Yours very truly,

**FIRST SOURCE MORTGAGE CORPORATION**

Per : \_\_\_\_\_  
David Mandel, CEO

*Acknowledgement and Acceptance*

**To: FIRST SOURCE MORTGAGE CORPORATION**

Accepted and agreed by Block 80 Holdings Inc.

Dated this

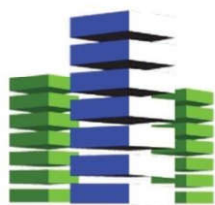
Block 80 Holdings Inc.

By : \_\_\_\_\_  
Andre Sherman

**SCHEDULE A**

Requested materials and information includes but is not limited to the following (provided information already supplied pursuant to the Commitment Letter need not be duplicated):

1. Borrower's full legal name, trade names or other names, head office address, mailing address and website address
2. Description of Borrower's business activities, industry sector (including NAICS industry code, if known), how Borrower was created, and any predecessor names used within the last 12 months.
3. Number of employees, SEDAR profile number if applicable, whether Borrower is a reporting issuer; Borrower's CUSIP number if applicable
4. Borrower's constating documents and description of legal structure of company and Borrower's legal entity identifier, if applicable
5. Borrower's organizational chart.
6. Borrower's ownership chart.
7. Information about Borrower's registration or licensing for other financial products.
8. Information about any past bankruptcy and confirmation that no receiver has been appointed.
9. Borrower's financial year-end and name of auditor if applicable
10. Borrower's most recent financial statements; assets as at date of most recent financial statements.
11. Information as to each of the Directors, Executive Officers and any Promoter of the Borrower
12. Information about ongoing investigations into Borrower.
13. Information about civil proceedings or civil judgements.
14. Information about criminal convictions against the Borrower or its principals.



**FIRST SOURCE**  
**MORTGAGE CORPORATION**

**FIFTH INCREASE AND EXTENSION AGREEMENT**

Andre Sherman  
135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

September 27, 2023

c/o:

Anders Holteng

By email only: [sherman.architect@gmail.com](mailto:sherman.architect@gmail.com); [anders.holteng@gmail.com](mailto:anders.holteng@gmail.com)

Re: First Mortgage Construction Financing – The subject site is located at the municipal addresses Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (PIN 584050667) (Collectively the “Property”).

This increase and extension agreement refers to the **Commitment letter dated November 30<sup>th</sup>, 2022, Increase and Extension Agreement dated March 8<sup>th</sup>, 2022, Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023, Third Increase and Extension Agreement dated April 4<sup>th</sup>, 2023, and Fourth Increase and Extension Agreement dated August 10<sup>th</sup>, 2023** (collectively the “**Commitment Letter**”).

1. **Loan Amount:** The principal sum shall be increased to the lesser of: (i) **\$4,700,000** or (ii) 67.15% of the “As-Complete” Appraised Value of the Property. An appraisal is to be prepared by a Bona Fide appraiser approved by the Lender (the “Loan” or “Loan Facility”).
2. **Maturity Date:** The balance due date and maturity date of the charge is extended to November 8<sup>th</sup>, 2023.
3. **Interest Rate:** The interest rate pursuant to the charge shall be amended as follows-

Commencing September 1<sup>st</sup>, 2023, the interest rate shall be the greater of i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated daily on amounts **advanced** and the greater of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% per annum calculated on amounts **unadvanced** with no deemed re-investment of monthly payments on the principal outstanding during the first 2 months after September 1<sup>st</sup>, 2023.

For the final 7 days of the term, the applicable interest rate shall be the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated daily on the principal outstanding. There shall be no deemed re-investment of payments made. After 2 months and 7 days from September 1<sup>st</sup>, 2023, unless an extension agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated daily and payable monthly with no deemed re-investment of payments on the principal outstanding until discharged.

The Charge and Promissory Note shall provide for an interest rate of 18% per annum until November 8<sup>th</sup>, 2023 and thereafter at the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum. The Lender shall only be

entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.

This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% per annum calculated on the principal balance of the loan outstanding which cost is subject to any H.S.T. (the "HST Administration Tax"). The HST Administration Tax is for the account of the Borrower. Said cost is to be paid to the Lender on a monthly basis on the 1<sup>st</sup> of each month the loan balance remains outstanding.

4. **Repayment:** Interest only. Payable monthly on the first day of the month and compounded monthly from loan advance funds.
5. **Prepayment:** Open for full prepayment on any date.
6. **Additional Security:** The following additional security will be required:
  - a. Such other reasonable legal security as requested by the Lender and/or its legal counsel.
7. **Conditions Precedent:** The Borrower shall provide First Source with satisfactory evidence of the following otherwise the Extension Agreement shall be considered null and void:
  - a. **Property Taxes and Other Charges:** Confirmation Property Taxes, All Levies, Impost Fees, Local Improvement Charges, and Other Charges that are due and payable in connection with the subject Property have been paid.
8. **Lender Fee:** In consideration of First Source providing this Extension, the Borrower hereby agrees to pay a Lender Fee in the amount of **0.40%** of the Principal Amount. A credit of **0.20%** of the Principal Amount shall be provided to the Borrower if the loan is fully repaid prior to November 1<sup>st</sup>, 2023. The Lender Fee is payable upon discharge.
9. **Further Rights:** There shall be no further rights of extension with respect to this Charge.
10. **Acknowledgement:** As at the Effective Date, the Chargor and Guarantor acknowledge and confirm that:
  - a. There are no claims, rights of setoff or equities with respect to the principal amount or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to any portion of the Loan
  - b. All documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement. And for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment letter



- c. The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan for the Commitment letter provided by the Guarantor is in full force and effect with respect to the Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

This Extension Agreement is open for acceptance by the Borrower and the Guarantor until **5:00 PM on October 2<sup>nd</sup>, 2023** by which time and date a copy of this Commitment duly executed the Borrower and the Guarantor shall be delivered to First Source together with any payment required hereunder.

If this Extension Agreement is not accepted by the aforementioned time and date, it will become null and void and of no force and effect.

Yours truly,

FIRST SOURCE MORTGAGE CORPORATION

DocuSigned by:  
*David Mandel*  
ED38E3277FD44CB...

---

**David Mandel – CEO**

I am authorized to bind the corporation.

Principal Broker (License # 10434)

Mortgage Administrator (License # 12594)

[www.firstsourcemortgage.ca](http://www.firstsourcemortgage.ca)

[david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)

Accepted at Toronto, Ontario this 27th day of September 2023

DocuSigned by:  
*Andre Sherman*  
90FAFBD364B7456...

DocuSigned by:  
*Andre Sherman*  
90FAFBD364B7456...

---

Borrower: Block 80 Holdings Inc.

---

Guarantor: Andre Sherman

---

Witness Name:

Address:

Tel:

**Engagement Letter with Borrower**

September 27, 2023

Andre Sherman  
 135 Holmes Avenue  
 Toronto, Ontario  
 M2N 4M5

c/o:

Anders Holteng

**Re: Engagement of First Source for Mortgage Loan**

First Source Mortgage Corporation (“First Source”, “we” or “us”) understand that **Block 80 Holdings Inc.** (the “Borrower” or “you”) are seeking to secure financing including through the distribution of syndicated mortgage investments described below (the “SMIs”) to qualified investors (the “Offering”). We understand further that the Borrower wishes to retain the services of First Source to provide or arrange for certain mortgage brokerage, advisory and distribution services and to act as your agent (the “Agent”) in connection with certain aspects of the Offering. By your acceptance of this engagement letter, you enter into an agreement with us (the “Agreement”) and appoint First Source to act as financial advisor and agent in connection with the Offering, on the terms and subject to the conditions set out below.

1. Offering of SMIs. First Source shall provide such advice and assistance as the Borrower may reasonably request in connection with the Offering, which shall consist of the distribution of the following SMI:

Property / Name of Project	Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario
Principal Amount	\$4,700,000
Term / Maturity	November 8 <sup>th</sup> , 2023
Priority	1 <sup>st</sup> Ranking Mortgage
Interest Rate	<p>Commencing September 1<sup>st</sup>, 2023, the interest rate shall be the greater of i) 9.75% or (ii) CIBC Prime + 7.05% per annum calculated daily on amounts <b>advanced</b> and the greater of (i) 6.95% or (ii) CIBC Bank Prime Rate + 4.25% per annum calculated on amounts <b>unadvanced</b> with no deemed re-investment of monthly payments on the principal outstanding during the first 2 months after September 1<sup>st</sup>, 2023.</p> <p>For the final 7 days of the term, the applicable interest rate shall be the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated daily on the principal outstanding. There shall be no deemed re-investment of payments made. After 2 months and 7 days from September 1<sup>st</sup>, 2023, unless an extension</p>

	<p>agreement was previously arranged executed in writing between the Borrower and Lender, the rate on funds advanced shall be fixed at the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum calculated daily and payable monthly with no deemed re-investment of payments on the principal outstanding until discharged.</p> <p>The Charge and Promissory Note shall provide for an interest rate of 18% per annum until November 8<sup>th</sup>, 2023 and thereafter at the greater of (i) 18.00% or (ii) CIBC Prime + 15.55% per annum. The Lender shall only be entitled to interest as determined by the interest rate as set out herein or any amendment to this Commitment which the Borrowers(s) may enter into with the Lender after the date hereof. This provides the Borrower(s) with more flexibility, within the principal amount set out in the Charge, if interest rates are amended, so that the Lender may be in a position to provide amendments to the Commitment/Promissory Note without requiring an amendment to the Charge being registered on title to the Property.</p> <p>This Loan will be administered on behalf of the Lender(s), and where applicable, at a cost to the Lender(s) of approximately .75% per annum calculated on the principal balance of the loan outstanding which cost is subject to any H.S.T. (the "HST Administration Tax"). The HST Administration Tax is for the account of the Borrower. Said cost is to be paid to the Lender on a monthly basis on the 1<sup>st</sup> of each month the loan balance remains outstanding.</p>
--	--

2. Defined Terms in this Agreement. For purposes of this Agreement, the following terms have the meanings set out below:

**"Canadian Securities Laws"** means any securities statutes, regulations, policies, rules, national instruments, orders, rulings and other directives or guidance and any relief therefrom of any governmental or regulatory authority of any province or territory of Canada having jurisdiction over the parties to this Agreement or the transactions contemplated hereby, all as amended or replaced from time to time;

**"Commitment Letter"** means the commitment letter of First Source setting out the terms and conditions under which your application for financing has been approved;

**"Marketing Material"** means any and all marketing, advertising, educational or other promotional material in relation to the Borrower, the Property, the Offering or the SMIs, including, without limitation, any Offering Document, any slide deck or similar presentation document, any video or material intended to be distributed via social media posting, any website disclosure, and all other similar material;

**"NI 45-106"** means National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators;

**“Offering Document”** means any offering memorandum (whether or not a “offering memorandum” for purposes of Section 2.9 of NI45-106), term sheet summary, financial statement or financial projection, prospectus, subscription agreement or similar document prepared for delivery to prospective investors in connection with the distribution of the SMIs;

**“Property”** means the real property or property development project described in Section 1 hereof and in the Commitment Letter.

3. Engagement as Agent. First Source shall act as non-exclusive agent in connection with the Offering and the distribution of the SMIs. First Source make arrangements with our affiliated company, Westboro Management Ltd. (“Westboro”), or with Waverley Corporate Financial Services Ltd. (“Waverley”), an exempt market dealer registered to carry on business in Ontario, to distribute the SMIs. First Source and Westboro or Waverly will identify prospective investors and negotiate the terms of the SMI as may be required. The Offering will be subject to such other terms and conditions as First Source, the Borrower and the investors shall agree. The parties acknowledge that there can be no assurance that the Offering will be completed.
4. Services. The services to be provided to the Borrower under this Agreement may include, among other things, the following:
  - (a) arranging by or through Westboro or Waverly for the marketing and distribution of the SMIs;
  - (b) providing you with appropriate financial and market analyses to the extent necessary to facilitate the Offering;
  - (c) representing you in negotiations with prospective investors;
  - (d) the preparation of appropriate Offering Documents, subscription agreements and any other documentation necessary to facilitate the Offering, provided that prior to being made final, all such material will be made available for review and approval by the Borrower;
  - (e) obtaining from prospective investors all executed documents reasonably required by you with respect to the Offering;
  - (f) acting as your agent and representative with respect to the giving of all regulatory notices and/or the making of all regulatory filings required in connection with the Offering.
5. Compensation. In consideration of the services provided pursuant to this Agreement, First Source is entitled to compensation in the form of Lender Fees set out in the Commitment Letter. All amounts payable to First Source hereunder shall be subject to applicable taxes (including H.S.T.)

The Borrower acknowledges that such compensation may be required to be disclosed to securities regulatory authorities including on the filing of a Report of Exempt Distribution in accordance with the requirements of NI 45-106.

6. Expenses. Unless otherwise specified herein or agreed in writing with First Source, expenses in connection with the Engagement and the Offering, including, but not limited to, all filing fees, any other governmental fees, printing costs, postage, courier and mailing expenses, counsel and accounting fees and advertising, marketing and promotional expenses will be borne by First Source.
7. Representations and Warranties of the Agent. The Agent represents and warrants to the Borrower as follows:

- (a) it is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law;
- (d) the execution, delivery and performance of this Agreement by the Agent will not violate, or result in any default under, the Agent's constating documents or by-laws, any other agreement or instrument to which the Agent is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body;
- (e) Westboro and Waverly are registered as an exempt market dealer in the Province of Ontario.

The Agent shall promptly notify the Borrower if and when any representation and warranty provided by it pursuant to section 7 of this Agreement ceases to be accurate.

8. Covenants of the Agent. The Agent covenants and agrees with the Borrower as follows:

- (a) it will use its reasonable efforts and will cause Westboro or Waverly to use its reasonable efforts to sell the SMIs, subject to the terms and conditions set out in this Agreement;
- (b) it will, and will cause Westboro or Waverly to, effect sales of the SMIs only in those jurisdictions where they may be lawfully offered for sale or sold on a private placement basis that is exempt from the prospectus requirements of Canadian Securities Laws pursuant to available exemptions;
- (c) while soliciting or conducting a sale of the SMIs, the Agent will, will and cause Westboro or Waverly to, refrain from making any representations to any person respecting the Borrower, the Offering or the SMIs that is not derived from, and entirely consistent with, the information that is set out in any Offering Document;
- (d) it will maintain such books and records as may be required to accurately record its activities as the Agent in respect of the Offering.
- (e) it will not prepare or distribute any Marketing Material in relation to the Borrower, the Offering or the SMIs except as approved by the Borrower.

9. Representations and Warranties of the Borrower. The Borrower represents and warrants to the Agent as follows:

- (a) it is a corporation subsisting under the laws of Ontario;
- (b) it has the power, authority and right to enter into and deliver this Agreement, and to perform its obligations pursuant to this Agreement and it has taken all necessary action to authorize same;
- (c) its obligations under this Agreement constitute its valid and legally binding obligations, enforceable against it in accordance with their respective terms subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally, and subject, as to

enforceability, to equitable principles of general application, regardless of whether enforcement is sought in a proceeding in equity or at law; and

- (d) the execution, delivery and performance of this Agreement by the Borrower will not violate, or result in any default under, the Borrower's constating documents, any other agreement or instrument to which the Borrower is a party or by which it may be bound or any statute, rule, regulation or order of any government agency or body.
- (e) The Borrower understands and acknowledges that each person who purchases the SMIs through Westboro or Waverly will become a client of Westboro or Waverly for purposes of Canadian Securities Laws and Westboro or Waverly will therefore comply with the following in respect of each purchaser of SMIs:
  - (i) "know-your-client", "know your product", suitability, trade reporting and other client-related obligations that are imposed upon exempt market dealers by Canadian Securities Laws;
  - (ii) anti-money laundering and suppression of terrorism regulations imposed upon securities dealers by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) and the *Criminal Code of Canada*;
  - (iii) the *Personal Information Protection and Electronic Documents Act* (Canada) as regards the collection, use and disclosure of personal information respecting each such purchaser;
- (f) to the knowledge of the Borrower, there is no action or proceeding pending against or affecting the Borrower, at law or in equity or before or by any court or federal, provincial, municipal or other government department, board or agency, domestic or foreign, including without limitation to any securities commission, or similar regulatory authority, which in any way materially adversely affects the Borrower, or the condition (financial or other) of the Borrower or which brings into question the validity of the issuance of the SMIs;
- (g) upon issuance of the SMIs pursuant to the terms of the subscription agreement between the Borrower and a purchaser, such SMIs shall have valid and legal obligations of the Borrower enforceable against the Borrower in accordance with their terms.

10. Covenants of the Borrower. The Borrower covenants and agrees as follows:

- (a) to assist the Agent in responding to any inquiries that the Agent or Westboro or Waverly may receive from prospective purchasers of SMIs and subscribers from time to time;
- (b) providing prompt notice if any representation or warranty made by the Borrower in the Commitment Letter ceases to be true or accurate (or with passage of time will become untrue or inaccurate) in any material respect;
- (c) to provide to the Agent copies of any Marketing Material prepared by the Borrower or on behalf of the Borrower (by persons other than the Agent);
- (d) to promptly advise the Agent any representation or warranty made by the Borrower in this Agreement is no longer true and accurate, or if it learns of circumstances which would cause any statement contained in the Offering Documents to be materially misleading (even if such statement was not materially misleading at the time it was made).

11. Reliance by First Source on Information Provided by Borrower.

- (a) The Borrower will furnish to First Source such information as First Source reasonably requests in connection with the performance of its services hereunder. Without limiting the foregoing, the Borrower must provide all of the documentation and consent to all of the due diligence and underwriting procedures contemplated by the Commitment Letter. The Borrower acknowledges that First Source will prepare the Offering Documents relating to the SMIs on behalf of the Issuer, and that the contents of such Offering Document will be based on information contained in, or undertaken to be provided pursuant to, the Commitment Letter.
- (b) The Borrower understands, acknowledges and agrees that, in performing its services hereunder, First Source will use and rely upon such information, as well as any publicly available information regarding the Borrower and that First Source does not assume responsibility for independent verification of the accuracy or completeness of any information, whether publicly available or otherwise furnished to it, concerning the Borrower, including, without limitation, any financial information, forecasts or projections supplied by the Borrower. Accordingly, First Source shall be entitled to assume and rely upon the accuracy and completeness of all such information and shall not be required to conduct a physical inspection of any of the properties or assets or to prepare or obtain any independent evaluation or appraisal of any of the assets or liabilities of the Borrower.
- (c) Specifically with respect to the preparation of the Offering Documents,
  - (i) At the request of First Source, the Borrower shall review any such Offering Document or portions thereof on a timely basis, and the absence of comments shall be deemed as confirmation by the Borrower that the contents as provided to the Borrower are accurate;
  - (ii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that the information and statements contained in the Offering Documents and any Marketing Material in relation to the Borrower, the Offering or the SMIs are materially correct and accurate and do not contain a misrepresentation;
  - (iii) Following the Borrower's opportunity to review and comment on the Offering Documents, the Borrower represents and warrants that neither the Offering Documents nor any Marketing Materials prepared by the Borrower, as may be applicable, contain any untrue statement of material fact, and do not omit to state any material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.
- (d) Furthermore, the Borrower hereby appoints First Source as its agent and attorney for purposes of completing filings with securities regulators as may be required under Canadian Securities Law and NI 45-106. Specifically, the Borrower delegates to First Source authority to certify information required to be furnished to regulators pursuant to Form 45-106F1 Report of Exempt Distribution, and to file any Offering Document or amendment of any Offering Document on behalf of the Borrower. In order to permit First Source to perform this delegated function, the Borrower shall supply First Source with the information set out in Schedule A;
- (e) If any information provided to First Source by the Borrower or any information contained in the Offering Document made available to the Borrower for review and comment becomes inaccurate, incomplete or misleading in any material respect, the Borrower shall promptly so advise First Source.



12. Indemnification in Favour of The Borrower.

- (a) The Agent agrees to indemnify and hold harmless the Borrower, and each of their respective directors, officers, employees, partners, shareholders and advisors (each, a “**Borrower Indemnified Party**”) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that the Borrower Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Agent, including a breach of any representation and warranty provided by the Agent pursuant to this Agreement, or any breach of Canadian Securities Laws by the Agent or by Westboro or by Waverly.
- (b) The Agent acknowledges and agrees that the Borrower and its directors, officers, employees, partners, shareholders and advisors are intended to be third party beneficiaries of the indemnity provided by the Agent pursuant to Section 12(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Agent. To the extent necessary to entitle each of the Borrower’s directors, officers, employees, partners, shareholders and advisors to enjoy the indemnity provided by the Agent pursuant to Section 12(a) hereof, the Agent hereby appoints the Borrower as the trustee for the directors, officers and employees in respect of such indemnity and the Borrower hereby accepts such appointment.

13. Indemnification in Favour of the Agent.

- (a) The Borrower agrees to indemnify and hold harmless the Agent and Westboro and Waverly and each of their respective directors, officers and employees (each, an “**Agent Indemnified Party**”) for any and all losses, claims, damages, costs and expenses, including reasonable legal fees and disbursements, that an Agent Indemnified Party suffers or incurs as the result of any material breach of any term or condition of this Agreement by the Borrower, including a breach of any representation and warranty provided by the Borrower pursuant to this Agreement, or any breach of Canadian Securities Laws by the Borrower.
- (b) The Borrower acknowledges and agrees that each of the Agent’s directors, officers and employees are intended to be third party beneficiaries of the indemnity provided by the Borrower pursuant to Section 13(a) hereof and, as such, each of them is entitled to enjoy the benefits of such indemnity and has the right to enforce such indemnity directly against the Borrower. To the extent necessary to entitle each of the Agent’s directors, officers and employees to enjoy the indemnity provided by the Borrower pursuant to Section 13(a) hereof, the Agent hereby appoints the Agent as the trustee for the directors, officers and employees in respect of such indemnity and the Agent hereby accepts such appointment.

14. Term and Termination.

- (a) This Agreement shall commence on the date above written and, subject to earlier termination in accordance with the provisions of this Agreement, shall continue unless either Party provides written notification of termination in accordance with Section 14(b). Notwithstanding the completion of any Offering, this Agreement shall be automatically renewed for such period as required, without any further action of the parties, if the Borrower renews or extends the mortgage loan in respect of the SMI.
- (b) The following shall be the termination provisions for this Agreement. Either party may, by sending a written termination notice to the other party, terminate this Agreement at any time after the other party:

- (i) files a voluntary petition in bankruptcy or liquidation; or
  - (ii) winds-up, dissolves, liquidates or takes steps to do so or otherwise ceases to function as a going concern or is prevented from reasonably performing its duties hereunder; or
  - (iii) an involuntary petition in bankruptcy or liquidation is filed against the other party or if a receiver or other custodian (interim or permanent) of any of the assets of the other party is appointed by private instrument or by court order or if any execution or other similar process of any court becomes enforceable against the other party, or its assets or if distress is made against the other party's assets or any part thereof, and such petition or receiver is not dismissed or stayed within 90 days after such filing, appointment or taking possession; or
  - (iv) makes an assignment for the benefit of its creditors or attempts to avail itself of any applicable statute relating to insolvent debtors; or
  - (v) winds up or otherwise ceases to be a going concern; or
  - (vi) takes any similar action under similar laws of any jurisdiction.
- (c) Other than as set out in Section 12(b)(i), either party may, by sending a written termination notice to the other party, terminate this Agreement if the other party breaches any material provision of this Agreement and such breach is not cured by the other party within fifteen (15) days following the date of the written notice requiring the breach to be remedied.
- (d) This Agreement shall be considered to be terminated upon the occurrence of any of the following:
- (i) withdrawal or termination of the Commitment Letter; or
  - (ii) completion of the Offering, and the closing of the related financing, including the making of all regulatory filings in connection there with as set out in this Agreement (unless the mortgage loan is renewed or extended as provided in Section 14(a)).
- (e) Upon termination or expiration of this Agreement for any reason whatsoever, the following shall apply:
- (i) the expiration or termination of this Agreement shall not affect any rights accruing to any of the parties as of the expiration or termination nor shall it release the parties from any obligation that may have been incurred as a result of operations conducted under this Agreement;
  - (ii) both parties shall refrain from holding themselves out as a business partner, of the other except as may be otherwise expressly agreed to by both parties in writing;
  - (iii) no such termination or expiration shall affect the provisions of Sections 12, 13, 15 and 16 hereof, all of which shall survive the termination or expiration of this Agreement.
15. Nature of Relationship. The Borrower acknowledges that First Source has been retained only by the Borrower to provide the services set out herein, and that the Borrower's engagement of First Source is not deemed to be on behalf of, and is not intended to confer rights upon, any shareholder, owner or partner of the Borrower or any other person not a party hereto as against First Source or any of its affiliates, or any of its or their officers, directors, controlling persons, employees or agents. Unless otherwise expressly agreed in writing by First

Source, no one other than the Borrower is authorized to rely upon this Agreement or any other statements or conduct of First Source, and no one other than the Borrower is intended to be a beneficiary of this Agreement.

16. Compliance with Laws. The Company and the Agent will comply in all material respects with all applicable laws, regulations and policies, whether domestic, foreign, federal, national, provincial or otherwise, applicable to the Offering, including but not limited to the Canadian Securities Laws. In that regard, the parties agree that for purposes of NI 45-106, the “issuer” of securities is the Borrower, and the “securities” are the SMIs and the “distribution” of securities takes place on the closing of the SMI mortgage loan and the issuance of the SMIs to the purchasers. Except to the extent provided herein, the Borrower shall have all of the responsibilities and liabilities of an issuer of securities under applicable Canadian Securities Law.
17. Irrevocable Direction. This Agreement shall act as an irrevocable direction by the Borrower to the Borrower’s counsel and/or First Source’s counsel to release from any funds held by such counsel (whether in trust or otherwise) all amounts due to First Source hereunder or under the Commitment Letter without further authorization or direction from the Borrower.
18. Notices. Any notice, demand, consent, request, agreement or approval which may be delivered or given pursuant to this Agreement shall be in writing and shall be sufficiently given or made is served personally upon the party to whom it is addressed or mailed by registered mail to the address of the party shown below or to such other address in Ontario as such party may from time to time advise the other parties in writing. If to:
- (a) First Source:
- Suite 1202, 12<sup>th</sup> Floor, Atria II  
2235 Sheppard Avenue East  
North York ON M2J 5B5
- Attention: Mr. David Mandel
- Email: [david@firstsourcemortgage.ca](mailto:david@firstsourcemortgage.ca)
- (b) Block 80 Holdings Inc.
- 135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5
- Attention: Andre Sherman
- Email: [block80holdingsinc@gmail.com](mailto:block80holdingsinc@gmail.com)
19. General. This Agreement shall not be assigned without the prior written consent of First Source and the Borrower; provided however, that in the event of a sale or other transaction in which the Borrower is not the surviving corporation or entity, the Borrower’s remaining obligations, if any, under this Agreement shall remain in full force and effect and become obligations of the surviving corporation or entity. This Agreement shall be governed by and construed in accordance with the internal laws of the Province of Ontario without reference to principles of conflicts of law. The parties hereby expressly and irrevocably agree and consent that any action, suit or proceeding arising out of or relating to this Agreement will be submitted to binding arbitration in

Toronto, Ontario. This Agreement constitutes the entire Agreement between First Source and the Borrower with respect to the subject matter hereof and supersedes all prior agreements. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect, and the remainder of the Agreement shall remain in full force and effect.

If the foregoing correctly sets forth our understanding, please so indicate by executing this engagement letter.

Yours very truly,

**FIRST SOURCE MORTGAGE CORPORATION**

Per :   
\_\_\_\_\_  
David Mandel, CEO

*Acknowledgement and Acceptance*

**To: FIRST SOURCE MORTGAGE CORPORATION**

Accepted and agreed by Block 80 Holdings Inc.

Dated this

Block 80 Holdings Inc.

By :   
\_\_\_\_\_  
Andre Sherman

**SCHEDULE A**

Requested materials and information includes but is not limited to the following (provided information already supplied pursuant to the Commitment Letter need not be duplicated):

1. Borrower's full legal name, trade names or other names, head office address, mailing address and website address
2. Description of Borrower's business activities, industry sector (including NAICS industry code, if known), how Borrower was created, and any predecessor names used within the last 12 months.
3. Number of employees, SEDAR profile number if applicable, whether Borrower is a reporting issuer; Borrower's CUSIP number if applicable
4. Borrower's constating documents and description of legal structure of company and Borrower's legal entity identifier, if applicable
5. Borrower's organizational chart.
6. Borrower's ownership chart.
7. Information about Borrower's registration or licensing for other financial products.
8. Information about any past bankruptcy and confirmation that no receiver has been appointed.
9. Borrower's financial year-end and name of auditor if applicable
10. Borrower's most recent financial statements; assets as at date of most recent financial statements.
11. Information as to each of the Directors, Executive Officers and any Promoter of the Borrower
12. Information about ongoing investigations into Borrower.
13. Information about civil proceedings or civil judgements.
14. Information about criminal convictions against the Borrower or its principals.

This is **Exhibit “J”**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

LRO # 51 **Notice**Received as **SC1883937** on 2022 04 04 at 08:58

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 1 of 5

**Properties**

**PIN** 58405 - 0667 LT  
**Description** BLOCK 80, PLAN 51M887, PENETANGUISHENE.  
**Address** THOMPSON RD WEST  
 PENETANGUISHENE

**Consideration**

**Consideration** \$2.00

**Applicant(s)**

The notice is based on or affects a valid and existing estate, right, interest or equity in land

**Name** FIRST SOURCE FINANCIAL MANAGEMENT INC.  
**Address for Service** 2235 Sheppard Avenue East  
 Suite 1202  
 Toronto, Ontario  
 M2J 5B5

A person or persons with authority to bind the corporation has/have consented to the registration of this document.

This document is not authorized under Power of Attorney by this party.

**Party To(s)****Capacity****Share**

**Name** BLOCK 80 HOLDINGS INC.  
**Address for Service** 135 Holmes Avenue  
 Toronto, Ontario  
 M2N 4M5

A person or persons with authority to bind the corporation has/have consented to the registration of this document.

This document is not authorized under Power of Attorney by this party.

**Statements**

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, SC1768805 registered on 2021/04/06 to which this notice relates is deleted

Schedule: See Schedules

**Signed By**

Cheryl Lynn Moore 5000 Yonge Street, 10th Floor acting for Signed 2022 03 29  
 Toronto Applicant(s)  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

CHAITONS LLP 5000 Yonge Street, 10th Floor 2022 04 04  
 Toronto  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

**Fees/Taxes/Payment**

**Statutory Registration Fee** \$66.30

**Total Paid** \$66.30

**File Number**

**Applicant Client File Number :** 69591



**AMENDED CHARGE****WHEREAS:**

- a. by a mortgage registered in the Land Titles Division of Simcoe (No. 51) on the 6<sup>th</sup> day of April, 2021 as Instrument No. SC1768805 (the "Charge") **BLOCK 80 HOLDING INC.** (the "Chargor") did grant and mortgage to **FIRST SOURCE FINANCIAL MANAGEMENT INC.** (the "Chargee") on title to the lands described therein (the "Lands") to secure payment of the principal sum of \$3,942,000 with interest as therein set (the "Loan" or "Principal Amount").
- b. the Chargor, the Guarantor under the Charge, Andre Sherman (the "Guarantor") and the Chargee have agreed to vary certain terms of the Charge, all as more particularly set out in this agreement (the "Agreement").

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of other good and valuable consideration and the sum of \$2.00 now paid by all of the parties hereto to the others, the receipt and sufficiency whereof is hereby acknowledged the parties hereto hereby agree that the Charge is amended as of the 1st day of March, 2022 (the "Effective Date") as follows:

1. the Balance Due Date and Maturity Date of the Charge is extended to January 8<sup>th</sup>, 2023.
2. The principal amount of the Charge is hereby increased to \$4,770,000.
3. Effective March 1<sup>st</sup>, 2022 the payment provisions pursuant to the Charge are amended as follows:

Provided this Charge to be void upon payment at the office of the Chargee at Toronto, Ontario of **FOUR MILLION SEVEN HUNDRED AND SEVENTY THOUSAND (\$4,770,000) DOLLARS** of lawful money of Canada (the "Loan") together with interest thereon as hereinafter set forth which interest shall be calculated, as well after as before maturity and both before and after default as follows:

For the period up to and including December 31st, 2022, interest calculated monthly, not in advance, at the rate of Eighteen (18%) per cent per annum on the amount outstanding from time to time shall become due and be payable monthly on the 1st day of each and every month in each and every year commencing on the 1st day of April, 2022 to and including the 1st day of January, 2023. The first payment of interest is to be computed from the 1st day of March, 2022 on the amount outstanding from time to time, to become due and payable on the 1st day of April, 2022.

For the period from and including January 1<sup>st</sup>, 2023, INTEREST calculated daily and compounded monthly, not in advance, at the rate of the greater of 18% per annum or the rate per annum which is 15.55 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be adjusted as to fluctuations in such prime commercial lending rate from time to time, as well after as before maturity and both before and after default.

The balance of Four Million Seven Hundred and Seventy Thousand (\$4,770,000) Dollars, together with interest thereon at the rate of the greater of 18% per annum or the rate per annum which is 15.55 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, together with accrued and unpaid interest and costs shall become due and be payable on the 8<sup>th</sup> day of January, 2023.

4. The standby fee on the unadvanced portion of the Loan as set out in the Charge is hereby amended as follows:

DocuSign Envelope ID: 7889F03C-8D51-4AED-9638-D848DE1F1DAE

DocuSign Envelope ID: EB2E4652-84F8-4103-A16F-DC845C340100

3

"In addition to the interest payable as above noted the Chargor shall pay to the Chargee a standby fee (the "Standby Fee") in Canadian Dollars at the rate per annum which is the greater of 6.95% per annum or the rate per annum which is 4.25 per centage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time on loans made in Canadian funds to its most favoured commercial borrowers on the daily unadvanced portion of the sum of \$4,770,000. The Standby Fee will be determined daily beginning March 1<sup>st</sup>, 2022, and will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and will be payable by the Chargor monthly in arrears by way of the Chargee deducting same from the interest reserve provided for in the Budget pursuant to this loan until such interest reserve is fully utilized in accordance with its terms, or if the Lender cannot make an advance pursuant to the Loan, the Chargor shall, in either event pay the Standby Fee from its own resources".

5. The Charge, when not in default, shall be open for repayment, after September 1<sup>st</sup>, 2022, in whole or in part, at any time or times, upon the Chargor providing the Chargee with thirty (30) days' prior written notice of such intention to repay.
6. There shall be no further rights of extension with respect to this Charge.
7. As at the March 1<sup>st</sup>, 2022, the Chargor and Guarantor acknowledge and confirm that:
  - (a) there are no claims, rights of setoff or equities with respect to the said principal amount outstanding of \$2,316,569.05, plus the March 1<sup>st</sup>, 2022 interest payment that is due plus extension fees to be charged for this Amendment to Charge of \$113,287.50 or any interest owing thereon outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to the Loan; and
  - (b) all documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the "Loan Documents") shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement including the increased Loan and for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment Letter dated November 30th, 2020, as amended by Increase and Extension Agreement dated March 8<sup>th</sup>, 2022.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

DocuSign Envelope ID: 7889F03C-8D51-4AED-9638-D848DE1F1DAE

DocuSign Envelope ID: EB2E4652-84F6-4103-A15F-DC845C340100

3

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan dated the 30<sup>th</sup> day of March, 2021 provided by the Guarantor is in full force and effect with respect to the Charge as amended hereby.

The parties hereto agree that this Agreement Amending Charge may be transmitted by facsimile, email or such similar device and that the reproduction of signatures by facsimile, email or such similar device will be treated as binding as if an original.

*(Balance of page intentionally left blank. Signature page to follow).*

DocuSign Envelope ID: 7889F03C-8D51-4AED-9638-D848DE1F1DAE

DocuSign Envelope ID: EBZE4852-84F8-4103-A15F-DC845C340100

**SIGNED, SEALED AND DELIVERED**

) **FIRST SOURCE FINANCIAL  
MANAGEMENT INC.**

) DocuSigned by:  
) David Mandel  
) Per: David Mandel  
) EN88E97FD44CB  
) **President**

) I have the authority to bind the Corporation

) **BLOCK 80 HOLDINGS INC.**

) DocuSigned by:  
) Andre Sherman  
) Per: Andre Sherman  
) C9C0D8A88020E  
) **President**

) I have the authority to bind the Corporation

DocuSigned by:  
JOHN E WALKER  
82C8F878D4232F  
Witness: \_\_\_\_\_

) DocuSigned by:  
) Andre Sherman  
) C9C0D8A88020E  
) **Andre Sherman**

LRO # 51 Notice

Received as SC1958918 on 2023 01 23 at 10:51  
yyyy mm dd Page 1 of 5

The applicant(s) hereby applies to the Land Registrar.

**Properties**

PIN 58405 - 0667 LT  
 Description BLOCK 80, PLAN 51M887, PENETANGUISHENE.  
 Address THOMPSON RD WEST  
 PENETANGUISHENE

**Consideration**

Consideration \$2.00

**Applicant(s)**

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name FIRST SOURCE FINANCIAL MANAGEMENT INC.  
 Address for Service 2235 Sheppard Avenue East,  
 Suite 1202, Atria II  
 Toronto, Ontario  
 M2J 5B5

A person or persons with authority to bind the corporation has/have consented to the registration of this document.  
 This document is not authorized under Power of Attorney by this party.

**Party To(s)**

Capacity

Share

Name BLOCK 80 HOLDINGS INC.  
 Address for Service 135 Holmes Avenue  
 Toronto, Ontario  
 M2N 4M5

A person or persons with authority to bind the corporation has/have consented to the registration of this document.  
 This document is not authorized under Power of Attorney by this party.

**Statements**

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, SC1768805 registered on 2021/04/06 to which this notice relates is deleted

Schedule: See Schedules

**Signed By**

Cheryl Lynn Moore 5000 Yonge Street, 10th Floor acting for Signed 2023 01 23  
 Toronto Applicant(s)  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

CHAITONS LLP 5000 Yonge Street, 10th Floor 2023 01 23  
 Toronto  
 M2N 7E9

Tel 416-222-8888

Fax 416-218-1860

**Fees/Taxes/Payment**

Statutory Registration Fee \$69.00  
 Total Paid \$69.00

**File Number**

Applicant Client File Number : 75848

**AMENDED CHARGE****WHEREAS:**

- a. by a mortgage registered in the Land Titles Division of Simcoe (No. 51) on the 6<sup>th</sup> day of April, 2021 as Instrument No. SC1768805 (the "Charge") **BLOCK 80 HOLDING INC.** (the "Chargor") did grant and mortgage to **FIRST SOURCE FINANCIAL MANAGEMENT INC.** (the "Chargee") on title to the lands described therein (the "Lands") to secure payment of the principal sum of \$3,942,000 with interest as therein set.
- b. by an agreement amending charge registered in the Land Titles Division of Simcoe (No. 52) on the 4<sup>th</sup> day of April, 2022 as Instrument No. SC1883937 the principal amount of the Charge was increased to \$4,770,000, the maturity date was extended;
- c. the Chargor, the Guarantor under the Charge, Andre Sherman (the "Guarantor") and the Chargee have agreed to further vary certain terms of the Charge, all as more particularly set out in this agreement (the "Agreement").

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of other good and valuable consideration and the sum of \$2.00 now paid by all of the parties hereto to the others, the receipt and sufficiency whereof is hereby acknowledged the parties hereto hereby agree that the Charge is amended as of the 1<sup>st</sup> day of January, 2023 (the "Effective Date") as follows:

1. the Balance Due Date and Maturity Date of the Charge is extended to May 8<sup>th</sup>, 2023.
2. The principal amount of the Charge is hereby increased to \$5,310,000 (the "Loan").
3. Effective January 1<sup>st</sup>, 2023 the payment provisions pursuant to the Charge are amended as follows:

Provided this Charge to be void upon payment at the office of the Chargee at Toronto, Ontario of FIVE MILLION THREE HUNDRED AND TEN THOUSAND (\$5,310,000) DOLLARS of lawful money of Canada (the "Loan") together with interest thereon as hereinafter set forth which interest shall be calculated, as well after as before maturity and both before and after default as follows:

For the period up to and including April 30<sup>th</sup>, 2023, interest calculated monthly, not in advance, at the rate of Eighteen (18%) per cent per annum on the amount outstanding from time to time shall become due and be payable monthly on the 1<sup>st</sup> day of each and every month in each and every year commencing on the 1<sup>st</sup> day of January, 2023 to and including the 1<sup>st</sup> day of May, 2023. The first payment of interest is to be computed from the 1<sup>st</sup> day of January, 2023 on the amount outstanding from time to time, to become due and payable on the 1<sup>st</sup> day of February, 2023.

For the period from and including May 1<sup>st</sup>, 2023, INTEREST calculated daily and compounded monthly, not in advance, at the rate of the greater of 18% per annum or the rate per annum which is 15.30 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be adjusted as to fluctuations in such prime commercial lending rate from time to time, as well after as before maturity and both before and after default.

The balance of Five Million Three Hundred and Ten Thousand (\$5,310,000) Dollars, together with interest thereon at the rate of the greater of 18% per annum or the rate per annum which is 15.30 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, together with accrued and unpaid interest and costs shall become due and be payable on the 8<sup>th</sup> day

of May, 2023.

4. The Standby Fee on the unadvanced portion of the Loan as set out in the Charge is hereby amended as follows:

“In addition to the interest payable as above noted, the Chargor shall pay to the Chargee a standby fee (the “Standby Fee”) in Canadian Dollars at the rate per annum which is the greater of 6.95% per annum or the rate per annum which is 4.25 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time on loans made in Canadian funds to its most favoured commercial borrowers on the daily unadvanced portion of the sum of \$5,310,000. The Standby Fee will be determined daily beginning January 1<sup>st</sup>, 2023, and will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and will be payable by the Chargor monthly in arrears.
5. The Charge, when not in default, shall be open for repayment, on any payment date, after April 1<sup>st</sup>, 2023, in whole or in part, at any time or times, upon the Chargor providing the Chargee with thirty (30) days’ prior written notice of such intention to repay and payment of one (1) month’s interest on the principal amount repaid as a bonus or upon the Chargor providing the Chargee with sixty (60) days’ prior written notice of such intention to repay then no bonus is payable, but the Chargee’s discharge administration fee shall be due and payable.
6. The Chargor and Guarantor acknowledge that as of January 12<sup>th</sup>, 2023 the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce is 6.45% per annum.
7. There shall be no further rights of extension with respect to this Charge.
8. As at the January 1<sup>st</sup>, 2023, the Chargor and Guarantor acknowledge and confirm that:
  - (a) there are no claims, rights of setoff or equities with respect to the said principal amount outstanding of \$3,600,211.19, plus the January 1<sup>st</sup>, 2023 interest payment that is due plus extension fees due to First Source Mortgage Corporation charged for this Amendment to Charge of \$35,400 or any interest owing on the Loan outstanding as of the date hereof, in accordance with the terms of the Charge or this Agreement and the Chargor and Guarantor have no defences, rights of set off, equities or claims as against the Chargee with respect to the Loan; and
  - (b) all documents delivered to the Chargee as security for the Loan secured hereby, as amended hereby, to the date hereof (the “Loan Documents”) shall continue to be valid, binding and enforceable and shall remain in full force and effect as security for the monies and obligations secured by the Charge, as amended hereby, with such necessary amendments and variations thereto so as to reflect the true intent and meaning of this Agreement including the increased Loan and for greater particularity the Loan Documents shall not merge as a result of the execution and delivery of this Agreement or as a result of the completion of the transaction pertaining to the Commitment Letter dated November 30th, 2020, as amended by Increase and Extension Agreement dated March 8<sup>th</sup>, 2022, as further amended by Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023.
9. The parties hereto acknowledge and agree that this Charge, as amended, now secures the deferred extension fee of \$35,400 due to First Source Mortgage Corporation and the fee due to Standby Fee and the fee for this extension and a fee due to Anders Holtent in the amount of \$13,275 which is also deferred until the earlier of (i) receipt of occupancy permits for the development on the Charged Land; or (ii) discharge of this Charge.

It is further expressly declared and agreed that these presents shall not create any merger or alter or prejudice the rights and priorities of the Chargee against any surety, subsequent encumbrancer or other person interested in the said Lands and not a party hereto, or the rights

of any such surety, subsequent encumbrancer or other person, all of which rights are hereby reserved. It is also agreed that the Chargor, and its successors and assigns, shall be bound by and liable under every term, proviso, license, power and condition contained in the Charge and as amended hereby.

In all other respects the parties hereto confirm the terms and conditions contained in the Charge as amended by this Agreement.

The Chargor and Guarantor covenant to execute and deliver to the Chargee, forthwith upon request, all such further and other assurances, deeds, postponements, charges, amendments, assignments or other documents as the Chargee may require in order to give effect to the foregoing and to ensure repayment in full to the Chargee of all amounts due and owing to it by the Chargor pursuant to the Charge as amended hereby.

In construing this Agreement the words "Chargor" and "Chargee" and all personal pronouns shall be read as the number and gender of the party or parties referred to herein requires and all necessary grammatical changes, as the context requires, shall be deemed to be made.

The provisions of this Agreement shall enure to the benefit of and be binding upon the parties hereto and their heirs, executors, administrators, successors and assigns and all covenants, liabilities and obligations shall be joint and several.

Time is of the essence of this agreement and of each and every provision hereof. This Agreement shall be governed by the laws of the Province of Ontario.

The Guarantor acknowledges that the Guarantee and Postponement of Claim with respect to the Loan dated the 30<sup>th</sup> day of March, 2021 provided by the Guarantor is in full force and effect with respect to the Charge as amended hereby.

The parties hereto agree that this Agreement Amending Charge may be transmitted by facsimile, email or such similar device and that the reproduction of signatures by facsimile, email or such similar device will be treated as binding as if an original.

*(Balance of page intentionally left blank. Signature page to follow).*



**SIGNED, SEALED AND DELIVERED**

) **FIRST SOURCE FINANCIAL  
MANAGEMENT INC.**

) DocuSigned by:  
Per: David Mandel  
David Mandel  
President CEO

) I have the authority to bind the Corporation

) **BLOCK 80 HOLDINGS INC.**

) Per: [Signature]  
Andre Sherman  
President

) I have the authority to bind the Corporation

) [Signature]  
Andre Sherman

Witness: [Signature]

This is **Exhibit “K”**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)

**FORBEARANCE AND LOAN AMENDMENT AGREEMENT**

**THIS AGREEMENT** is made as of the 1st day of November, 2023.

**BETWEEN:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

(the "Lender")

-and-

**BLOCK 80 HOLDINGS INC.**

(the "Borrower")

-and-

**ANDRE SHERMAN**

(the "Guarantor")

**RECITALS:**

- A. First Source Mortgage Corporation ("First Source") granted a loan to the Borrower in the principal amount of \$3,285,000, secured by (among other things) a first-ranking mortgage registered as instrument number SC1768805 (the "Original Mortgage") in the principal amount of \$3,942,000 in favour of the Lender against title to the property municipally known as 61 Thompsons Road West, Town of Penetanguishene being Block 80, Plan 51M887, Town of Penetanguishene, pursuant to a Commitment Letter dated November 30<sup>th</sup>, 2020, which Commitment Letter was amended by Increase and Extension Agreement dated March 8<sup>th</sup>, 2022 and which was further amended by a Second Increase and Extension Agreement dated January 6<sup>th</sup>, 2023 and was further amended by Third Increase and Extension Agreement dated April 4<sup>th</sup>, 2023 and which was further amended by Fourth Increase and Extension Agreement dated August 10<sup>th</sup>, 2023 (collectively the "Commitment") which Original Mortgage was amended by Agreement Amending Charge, notice of which was registered as Instrument No. SC1883937 on the 4<sup>th</sup> day of April, 2022 increasing the principal amount of the Original Mortgage to \$4,770,000 and which Original Mortgage was further amended by Agreement Amending Charge, notice of which was registered as Instrument No. SC1958918 on the 23<sup>rd</sup> day of January, 2023 increasing the principal amount of the Original Mortgage to \$5,310,000 (collectively the "Mortgage");
- B. The amount currently advanced by the Lender and secured by the Mortgage and Security is \$4,880,805.81 (the "Loan");

- C. the obligations of the Borrower to the Lender were guaranteed by the Guarantor;
- D. First Source Mortgage Corporation assigned all of its right, title and interest in the Commitment Letter to the Lender;
- E. the Borrower and the Guarantor (collectively the “Obligors”) have executed and delivered to the Lender various agreements, including those described in Schedule A attached hereto, as evidence of and/or security for their respective debts and other obligations to the Lender (collectively the “Loan Security Documents” or “Security”);
- F. the Borrower is in default with respect to:
- (a) completing construction of the project, being the construction of a 3 storey plus 1 elevated basement, multiple unit residential building with 18 suites allowing for 15,000 square feet of above ground rental apartment space and 5,000 square feet of finished basement rental apartment space in accordance with the original approved budget (the “Project”);
  - (b) paying the Cost Overruns for the Project which have occurred to date;
- G. The Borrower is unable to repay the Loan as of the maturity date of November 8<sup>th</sup>, 2023;
- H. the Borrower and Guarantor have requested that the Lender not proceed at this time to enforce their Loan pursuant to the rights the Lender has pursuant to the Loan Security Documents;
- I. The Borrower and Guarantor have requested the Lender to advance further funds to help the Borrower substantially complete the development of the Project;
- J. the Lender is prepared to forbear from enforcing its security from November 1<sup>st</sup>, 2023 to February 8<sup>th</sup>, 2024, subject to and in accordance with the terms and conditions of this Forbearance Agreement (this “Agreement”);
- K. The Lender is prepared to advance additional funds, at its sole and absolute discretion, to help facilitate the substantial completion of the Project strictly in accordance with the Completion Budget, as hereinafter defined, under the supervision of Core Constructors Ltd. (“Core”) and with contributions from the Borrower and/or Guarantor and the Project as hereinafter provided, the Borrower hereby accepting the fees to Core of \$50,000 per month.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

#### **Acknowledgements**

1. **Recitals** – The parties hereto acknowledge and agree that each of the foregoing recitals are true and accurate both in substance and in fact.
2. **Liability** – The Obligors acknowledge that as of November 1st, 2023, the aggregate amount owing to the Lender under the Loan and secured by the Mortgage is \$4,880,805.81, plus legal fees, as more particularly described in Schedule B hereto. The sum of \$4,880,805.81, plus legal fees, plus accrued interest, fees, deferred extension fees and costs incurred by the Lender subsequent to October 31<sup>st</sup>, 2023, further advances by the Lender after the date hereof and all other amounts due or to become due by the Borrower under the Loan, this Agreement or otherwise to the date of repayment of the said Loan in full, is hereinafter collectively referred to as the “Debt”. The Obligors hereby confirm that they do not dispute their liability to pay the Debt on any ground whatsoever, that they have no claim, demand, set-off or counter-claim against the Lender on any basis whatsoever, and that there is no matter, fact or thing which may be asserted by them in extinction or diminution of the Debt or result in any bar to or delay in the recovery thereof. If there are any claims for set-off, counter-claim or damages, they are hereby expressly released and discharged by the Obligors.
3. **Default** – The Borrower acknowledges and agrees that it is in default of its obligations under the Loan.
4. **Security** – The Borrower acknowledges and agrees that the Loan Security Documents are valid, binding and enforceable against it in accordance with its terms. The Borrower further acknowledges and agrees that the Loan Security Documents shall secure all of its obligations and liabilities related to, arising from or connected with the Loan in accordance with the Loan Security Documents.
5. **The Lender’s Rights** – The Obligors acknowledge and agree that, except as expressly provided in this Agreement, the Lender (by itself or through its employees or agents) has not made any promises, or taken any action or omitted to take any action, which would constitute a waiver of its right to take any enforcement action in connection with the enforcement of the Loan and the Security, or which would estop it from so doing, and that no statement, representation, promise, act or omission by the Lender or its employees or agents shall create such a waiver or estoppel unless the Lender executes and delivers a written waiver of any such rights.
6. **The Guarantee** – The Guarantor confirms that it has guaranteed the payment and performance of the Debt owing by the Borrower to the Lender by granting the guarantee to the Lender. The Guarantor does not dispute its liability on any basis whatsoever and confirms it has no claim for set-off, counter-claim or damages on any basis whatsoever against the Lender. If there are any claims, such claims are hereby expressly released and discharged. The Guarantor confirms that the guarantee granted by it has not been released, waived or varied, that it is binding upon it and that it is valid and enforceable against it.

## Forbearance

7. The Lender agrees not to take any steps to enforce the Loan or the Security until the earlier of:
- (a) February 8th, 2024; and
  - (b) the occurrence of an Event of Default (as hereinafter defined)

(hereinafter referred to as the “**Forbearance Termination Date**”, and the period commencing on the date hereof and ending on (but excluding) the Forbearance Termination Date is hereinafter referred to as the “**Forbearance Period**”).

Upon the expiration or termination of the Forbearance Period, the agreement of the Lender to forbear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such termination will be to permit the Lender to exercise its rights and remedies under the Loan Security Documents immediately.

8. Forbearance Fees – In consideration for the Lender’s forbearance and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower shall pay to the Lender the following sums, as liquidated damages and not as a penalty, at the times as hereinafter provided:
- (a) the sum of \$13,750 per month on the 1<sup>st</sup> day of each month for each month commencing November 1st, 2023 until such time as the Debt is repaid in full. Any partial month shall not be pro-rated. The Borrower and Guarantors acknowledge that the sum of \$13,750 per month is a reasonable estimate of the time and effort the Lender and its staff will be providing to manage the Loan and the terms of this Agreement (collectively the “**Forbearance Fee**”).
  - (b) Legal fees payable to Chaitons LLP for preparation of this Forbearance Agreement in the amount of \$6,500 plus HST plus \$500 in disbursements for a total of \$7,845, to be paid from advances under the Completion Budget as hereinafter defined.

## Covenants and Agreements

The terms and covenants of this Agreement are set out hereunder.

9. Amendment to Interest Rate

In consideration of the Lender agreeing to execute this Forbearance Agreement in addition to the other matters provided for herein, the payment terms of the Loan shall be amended effective as of November 1<sup>st</sup>, 2023 to be as follows:

- (a) For the period commencing November 1<sup>st</sup>, 2023 to and including January 31<sup>st</sup>, 2024 the interest rate pursuant to the Loan shall be the greater of 9.75% per annum or the

rate per annum which is 7.05 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated monthly, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time.

- (b) Commencing February 1<sup>st</sup>, 2024 the interest rate pursuant to the Loan shall be the greater of 18% per annum or the rate per annum which is 15.30 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated daily, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time, as well after as before maturity and both before and after default.
- (c) No further interest will be charged on advances funds until funds are advanced by the Lender.

10. Payment Terms – The Borrower shall pay to the Lender:

- a. the Forbearance Fee for the month of November, 2023 on or before November 8<sup>th</sup>, 2023.
- b. interest outstanding on the Loan from October 1<sup>st</sup>, 2023, together with interest on same, on or before November 1<sup>st</sup>, 2023;
- c. interest on the Loan due on November 1<sup>st</sup>, 2023 on or before November 8<sup>th</sup>, 2023;
- d. interest on the Loan due on December 1<sup>st</sup>, 2023 on or before December 1<sup>st</sup>, 2023;
- e. interest on the Loan due on January 1<sup>st</sup>, 2024 on or before January 1<sup>st</sup>, 2024;
- f. interest on the Loan due on February 1<sup>st</sup>, 2024 on or before February 1<sup>st</sup>, 2024;
- g. the balance of the Debt prior to the Forbearance Termination Date.

Provided that if the Lender approves the Completion Budget and is advancing same and the Forbearance Term has not been ended by and Event of Default or otherwise, the payments due under this Section 10 a., b., c., d., e., and f. and Section 11 shall be paid from advances under the Completion Budget.

11. Interest Payments – Interest shall continue to accrue on the Loan and interest on the Debt for the period up to and including the date of repayment in full. The November 1<sup>st</sup>, 2023 interest payment shall become due on November 1<sup>st</sup>, 2023 and be payable on November, 1<sup>st</sup>, 2023, the December 1<sup>st</sup>, 2023 interest payment shall become due and payable on December 1<sup>st</sup>, 2023 and the January 1<sup>st</sup>, 2024 interest payment shall become due and payable on January 1<sup>st</sup>, 2024 and the February 1<sup>st</sup>, 2024 interest payment shall become due and payable on February 1<sup>st</sup>, 2024.

## 12. The Property

- a. The Borrower shall maintain the Property in good order and repair.
  - b. The Borrower shall pay when due all operating costs with respect to the Property, including but not limited to realty taxes, insurance, heat, water, gas, hydro and any other utility charges which may be levied upon or in connection with the Property as and when due.
  - c. The Borrower shall promptly provide the Lender with documentation and information that it may reasonably require pertaining to the status of the Property.
  - d. The Borrower shall provide the Lender with proof of payment of realty taxes upon the execution hereof.
  - e. The Borrower shall provide the Lender with evidence of insurance with respect to the Property satisfactory to the Lender upon request by the Lender on the date this Agreement is executed, including loss of rental insurance.
  - f. The Borrower shall not enter into any new leases or occupancy arrangements with respect to the Property or terminate or forgive rent for existing leases, save for rental of apartments in the Project to arm's length third parties for rental rates not less than those set out in the Completion Budget, without the prior written consent of the Lender, which consent may be withheld in its sole and absolute discretion.
  - g. Upon execution hereof, the Borrower shall provide the Lender with a Direction to Tenants to make payment of rents to the Lender in the event that the Loan is in default.
  - h. The Borrower and Guarantor confirm that the Security Documents apply to the Loan as may be increased as provided for herein.
  - i. The Borrower will, if requested by the Lender, obtain the consent and subordination of the existing Second Mortgagee of the Property.
13. Encumbrances – The Borrower shall not encumber, sell, transfer, convey or otherwise dispose of the Property or any part thereof without the prior written consent of the Lender, which consent may be withheld in the Lender's sole discretion.
14. Notice of Default – The Obligors shall, upon becoming aware of same, forthwith provide the Lender with written notice of the occurrence of an Event of Default hereunder.
15. Notice of Enforcement – The Obligors shall notify the Lender in writing immediately upon receipt of any claim or demand, verbal or written, from any person, for the payment of indebtedness (excluding claims or demands for repayment of trade payables in the ordinary course of business), or immediately of learning of any actual or potential seizure or repossession of property of the Borrower, or the enforcement of security against the Borrower in relation to the Property.



16. **Notice of Proceedings** – The Obligors shall provide the Lender with notice of the commencement of any law suit, proceedings or other action brought by any person against the Borrower and/or with respect to the Property within one business day of receipt of same, and provide the Lender with a copy of the relevant pleadings and diligently keep the Lender current and up to date with respect to the status of any such law suit, proceeding or other action.
17. **Priority Claims** – The Obligors shall keep current all of their obligations to creditors who may have a lien, charge, security interest or deemed trust in its property and assets which may rank in priority to the security held by the Lender on such property and assets, including, without limitation, all amounts owing for wages, vacation pay, employee source deductions, goods and services tax, harmonized sales tax, provincial sales tax, employer health tax, construction liens, property taxes and Workplace Safety and Insurance Board premiums.
18. **Material Contracts** – The Borrower shall not surrender, terminate, repudiate or amend, vary or modify in a manner adverse to the Lender acting reasonably, any material contract with respect to their respective business without the prior written consent of the Lender which may be withheld in the Lender's sole discretion.
19. **Other Agreements** – The covenants and other terms and conditions of the Loan and the Security shall continue in full force and effect, except that, to the extent there exists any actual inconsistency between such provisions and the provisions of this Agreement, the provisions of this Agreement shall govern.
20. **Provision of Information** - On the 1st and 15<sup>th</sup> of each month commencing December 1<sup>st</sup>, 2023, the Borrower shall provide the Lender with full disclosure of all income received with respect to the Property for the previous 15 days as well as a list of all expenses paid with respect to the Property during such period as well as a rent roll listing all tenants, the terms of the leases and copies of all leases not previously provided for the Property. This information shall be supported by bank statements and deposits slips. It being understood and agreed that no salaries shall be paid to any member of the Borrower's or Guarantor's family directly or indirectly.
21. **Restructuring and Reorganization Proceedings** – The Obligors shall not commence any restructuring or reorganization proceeding under the *Bankruptcy and Insolvency Act* (Canada) or similar statute without the Lender's prior written consent. In the event that the Borrower does so, it agrees that the Lender shall be an "unaffected creditor" under any such proceedings, and hereby consents to a court order lifting any stay of proceeding as against the Lender.

## **Default**

22. **Events of Default** - Any one or more of the following events will constitute an event of default under this Agreement (each an "Event of Default"):
- (a) failure to pay the Debt and interest on the Debt on or before February 8th, 2024.

- (b) the non-payment, when due, of any Forbearance Fee, principal, interest or other amounts payable by the Borrower to the Lender under this Agreement, the Loan, Debt or otherwise;
- (c) the failure to co-operate with and provide access to all information requested for Core and/or by the Quantity Surveyor;
- (d) a default or breach of any obligation, promise, covenant, term or condition occurs under this Agreement, including, without limitation, the reporting conditions and non-payment of salaries referred to in Section 20 are breached;
- (e) any representation or warranty made by the Borrower in any certificate or other document delivered to the Lender in connection herewith is learned to be false or misleading in any material respect;
- (f) any financial reporting information provided by or on behalf of the Borrower to the Lender proves to be false, misleading, inaccurate or incorrect in any material respect, or if there is a failure to provide the Lender with the reporting required under this Agreement as and when such reporting is required to be delivered;
- (g) a default pursuant to any subsequent encumbrances;
- (h) a proceeding is taken by or against the Borrower and/or with respect to the Property for a reorganization, compromise or arrangement with creditors, or to have the Borrower declared bankrupt, or a proceeding is taken to have a receiver, interim receiver, lien trustee, receiver and manager or agent appointed over all or any part of the property, assets or undertakings of the Borrower (including the private appointment of any such receiver, receiver and manager or agent), or a party takes possession of all or any part of the property and assets of the Borrower by distress or execution, or a similar process is levied or enforced against all or any material part of the property of the Borrower;
- (i) failure to immediately apply all cash received from reductions of the Letters of Credit for the Project as received from time to time to the completion of the Project;
- (j) if a Construction Lien is registered against the Property;
- (k) the Borrower commits or allows to occur an act of bankruptcy or makes an unauthorized assignment or bulk sale of its property or assets;
- (l) there is a change in the *de facto* control of the Borrower;
- (m) the Lender, in its sole and absolute discretion, believes that the prospect of payment of the Debt or performance by the Obligors of any of their obligations under this Agreement or the Loan is or is about to be impaired or that all or any part of the Borrower's assets is or is about to be placed in jeopardy;

- (n) the Borrower fails to comply with the Milestones as hereinafter defined and/or exceedances of the line items in the Completion Budget and the Borrower or Guarantor fails to pay such exceedances from its own resources forthwith;
- (o) the failure of the Borrower to lease all 18 units at rental rates as previously approved by the Lender or more than such approved rates, on or before January 10<sup>th</sup>, 2024 (copies of all signed leases to be sent to the lender within three (3) days of signing same and sign the Direction to Tenants provided by the Lender's solicitors).
- (p) failure to apply the net rental income after operating expenses from the Project to the completion of the Project or repayment of the Debt.

23. Amendments to the Loan Commitment – In an attempt to support the Borrower to substantially complete the Project, the Lender is prepared to increase the Loan by up to \$400,000 strictly in accordance with the terms of the Lender's Security, the *Construction Act* and the Completion Budget and this Agreement with advances to be made in the Lender's sole and absolute discretion.

The Borrower working together with Core shall prepare and submit for approval of the Lender a budget for the costs to complete the Project (the "Completion Budget").

The Completion Budget shall be prepared by the Borrower and submitted to the Lender within ten (10) days of the execution hereof and shall be subject to the approval of the Lender in its sole and unfettered discretion.

The Completion Budget shall include the following:

Cost to Complete:	Hard Costs to complete Interest on Loan HST refunds and payments due Forbearance Fees The Fees to Core of \$50,000 per month Holdback requirements
Source of Funds:	Letters of Credit reduction to be utilized solely in the Project Net Rental income Increase in Loan \$400,000

And shall also include Milestones which if not complied with shall be an Event of Default hereunder.

- Milestones:
- (a) Elevators installed and operational by December 10th, 2023;
  - (b) Landscaping/paving, as weather permits;
  - (c) Occupancy permits for all 18 units on or before December 13th, 2023;
  - (d) Tenants in possession of all 18 units by January 10<sup>th</sup>, 2024;
  - (e) Application to reduce Letters of Credit.

The Borrower agrees to immediately engage Core for the above purposes and ongoing supervision.

24. **Remedies** – In addition to the Lender's rights and remedies available under the Loan, the Security, this Agreement, at law or in equity, upon the occurrence of an Event of Default:
- (a) the Debt shall, at the option of the Lender, become immediately due and payable; and
  - (b) the Loan Security Documents and the Security shall, at the Lender's option, become enforceable in accordance with its terms;
  - (c) the Lender may appoint a receiver, interim receiver, or receiver and manager (the "Receiver") over the property, assets or undertakings of the Borrower, including the Property; and
  - (d) the Borrower shall, upon request by the Lender, allow the Lender or third parties engaged by the Lender to conduct environmental assessments, appraisals, valuations or assessments of the Property, and all fees, costs, disbursements and taxes incurred by the Lender in relation thereto shall be promptly paid by the Borrower, and to the extent not paid shall be added to the Debt secured by the Security.

### Consents

25. Subject to applicable law, upon the occurrence of an Event of Default, the Obligors each consent to any proceeding by the Lender in connection with the enforcement of the Loan Security Documents, including, without intending to limit the generality of the foregoing any Notice of Sale or the matters referred to in Schedule 'D', without the necessity of further demand, and hereby agree not to directly or indirectly commence, carry on, consent to, or be a party in any way to any proceeding which would constrain any such action or which would call into question the validity or enforceability of the Debt and/or the Loan Security Documents.
26. **Without limiting the generality of the foregoing, upon or after the occurrence of an Event of Default, the Obligors each hereby irrevocably consent to the appointment of the Receiver in respect of any or all of the property, assets or undertakings of the Borrower.**
27. Concurrently with the execution of this Agreement, the Obligors shall execute consents in the form attached hereto as Schedule D, which comprises:
- (a) a consent for judgment against the Obligors for the full amount of the Debt owing to the Lender; and
  - (b) a consent to appoint RSM Canada as Receiver over all of the property, assets and undertakings of the Borrower, including the Property, pursuant to the model receivership Order (collectively, the "Consents").

28. The Obligors hereby agree that, upon the occurrence of an Event of Default, the Lender may, in its sole and unfettered discretion, file the Consents to obtain judgment against the Obligors for the Debt and appoint the Receiver over the property, assets and undertakings of the Borrower.

#### **Miscellaneous**

29. **Release** – In consideration of the agreements of the Lender contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, each of the Borrower and the Guarantor, on their own behalf and on behalf of their agents, representatives, officers, directors, advisors, employees, subsidiaries, affiliates, successors, heirs and assigns (collectively, the “Releasers”), hereby absolutely and irrevocably releases, remises, acquits and forever discharges the Lender, its respective employees, agents, representatives, consultants, counsel, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, subsidiary corporations, parent corporations, shareholders, and related corporate divisions and the successors and assigns of each of the foregoing (all of the foregoing hereinafter called the “Released Parties”), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, damages and expenses of any and every character, known or unknown, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any manner or things done, omitted or suffered to be done by any of the Released Parties prior to and including the date of execution hereof, and in any way directly or indirectly arising out of or in any way connected to this Agreement or the Loan Security Documents (the “Released Matters”). The foregoing release shall survive the termination of this Agreement and the Loan Security Documents and the payment in full and in cash of the Debt provided that the Lender assigns the Mortgage to the Guarantor on payment of the Debt.
30. **Independent Legal Advice** – Each of the Borrower and the Guarantor acknowledges that, in executing and delivering this Agreement, they have acted and continue to act freely and without duress. Each of the Borrower and the Guarantor confirms that they have had the benefit of independent legal advice in connection with the preparation and negotiation of this Agreement. Each of the Borrower and the Guarantor hereby waives and agrees not to assert or cause to be asserted any defence, right or claim with respect to any matter set forth in this Agreement, and each of them hereby releases the Lender from any and all claims they may have with respect thereto arising on or before the date of this Agreement.
31. **Further Assurances** – The Obligors, upon request by the Lender, shall promptly do, make, execute and deliver all such further acts, documents and instruments as the Lender may reasonably require to allow the Lender to enforce any of its rights under this Agreement and to give effect to the intention thereof.
32. **Capacity and Authority** – The Obligors represent and warrant to the Lender that they have the capacity and authority to enter into and perform their obligations under this Agreement.
33. **Headings** – The headings contained herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

34. **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

35. **Time** – Time is of the essence in the performance of the parties' respective obligations.

36. **Amendment** – No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound thereby.

37. **Notices** – Any notice, consent or approval required or permitted to be given in connection with this Agreement (a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or other means of electronic communication including e-mail:

(i) in the case of a Notice to the Lender, at:

2235 Sheppard Avenue East  
Suite 1202, Atria II  
Toronto, Ontario  
M2J 5B5

Attention: David Mandel  
Email: [dmandel@firstsource.com](mailto:dmandel@firstsource.com)

with a copy to:

Chaitons LLP  
5000 Yonge Street, 10<sup>th</sup> Floor  
Toronto, ON M2N 7E9

Attention: Barry Rotenberg  
Facsimile: (416) 218-1133  
Email: [brotenberg@chaitons.com](mailto:brotenberg@chaitons.com)

in the case of a Notice to the Borrower and the Guarantor:

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

and with a copy to:

HGR Graham Partners LLP  
518 Yonge Street  
Midland, Ontario  
L4R 2C5

Attention: John Walker

Email: [jwalker@hgrgp.ca](mailto:jwalker@hgrgp.ca)

The date of receipt of such notice shall be the date of the actual delivery to the address specified if delivered or the date of actual transmission to the facsimile number or electronic address if sent by facsimile transmission or electronic communication (including email), respectively, unless such date is not a Business Day, in which event the date of receipt shall be the next Business Day immediately following the date of such delivery or transmission. "Business Day" means a day other than a Saturday, Sunday, statutory holiday in the Province of Ontario or Canada, or any other day on which the Schedule 1 Canadian Chartered Banks located in the City of Toronto are not open for business during normal business hours.

38. **Assignment** – Neither the Borrower nor the Guarantor may assign this Agreement or any rights or obligations under this Agreement except with the prior written consent of the Lender which may be withheld in the Lender's sole discretion.
39. **Enurement** – This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party), permitted assigns, heirs and estate trustees.
40. **No Third Party Beneficiaries** – Unless expressly stated herein, this Agreement shall be solely for the benefit of the parties hereto and no other person or entity shall be a third party beneficiary hereof.
41. **No Novation** – This Agreement shall not constitute and shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of any of the Loan Security Documents.
42. **Governing Law** – This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
43. **Execution and Delivery** – This Agreement may be executed in counterparts, and acceptance of this Agreement may be provided by facsimile transmission or email transmission in PDF format and, on such execution and transmission, this Agreement shall be binding on the parties with the same force and effect as if originally executed.
44. **Entire Agreement** – This Agreement, together with the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement

**between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understanding or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.**

**[remainder of page intentionally left blank]**



**IN WITNESS OF WHICH** the parties have duly executed this Agreement on the date described above.

**FIRST SOURCE FINANCIAL  
MANAGEMENT INC.**

By:

DocuSigned by:  
*David Mandel*  
ED38E3277FD44CB

David Mandel  
CEO

I have the authority to bind the Corporation

**BLOCK 80 HOLDINGS INC.**

By:



Andre Sherman  
President

I have authority to bind the corporation.



\_\_\_\_\_  
Witness

\_\_\_\_\_  
Andre Sherman – Guarantor

**SCHEDULE "A"**  
**LOAN SECURITY DOCUMENTS**  
**SECURITY**

1. Commitment Letter dated November 30<sup>th</sup>, 2020;
2. Mortgage/charge in the principal amount of \$3,942,000, registered on April 6<sup>th</sup>, 2021, as instrument number SC1768805 against title to the Property in the Land Registry Office for the Land Titles Division of Simcoe (No. 51).
3. Notice of Assignment of Rents - General registered on April 6<sup>th</sup>, 2021, as Instrument number SC1768806;
4. Agreement Amending Charge increasing the principal amount to \$4,770,000 notice of which was registered on the 4<sup>th</sup> day of April, 2022 as Instrument No. SC1883937;
5. Agreement Amending Charge increasing the principal amount to \$5,310,000 notice of which was registered on the 3<sup>rd</sup> day of April, 2023 as Instrument No. SC1958918.
6. Guarantee of Andre Sherman. dated March 30<sup>th</sup>, 2021.
7. Promissory Note dated March 30<sup>th</sup>, 2021.
8. General Security Agreement from Block 80 Holdings Inc. dated March 30<sup>th</sup>, 2021.
9. Negative Pledge dated March 30<sup>th</sup>, 2021.
10. Acknowledgement re. Interest Reserve dated March 30<sup>th</sup>, 2021.
11. Assignment and Pledge of Securities re. Interest Reserve dated March 30<sup>th</sup>, 2021.
12. Assignment of Documents dated March 30<sup>th</sup>, 2021.
13. Assignment of Agreements of Purchase and Sale dated March 30<sup>th</sup>, 2021;
14. Acknowledgement re. Interest Rate and Principal Amount dated March 30<sup>th</sup>, 2021;
15. Cost Overrun and Completion Guarantee Agreement dated March 30<sup>th</sup>, 2021;
16. Undertaking Not to Withdraw Equity dated April 17<sup>th</sup>, 2019.
17. Hazardous Substances Indemnity dated March 30<sup>th</sup>, 2021;
18. Assignment of Insurance Interest dated March 30<sup>th</sup>, 2021
19. Undertaking and Acknowledgement re. Withholding Tax dated March 30<sup>th</sup>, 2021.
20. Non-Merger Acknowledgement dated March 30<sup>th</sup>, 2021.
21. Direction to Tenants.

Items 2 to 20 above, as well as any documents listed as security in the Commitment Letter and Amendment which are not enumerated above, are herein collectively referred to as the "Security".

- 2 -

**SCHEDULE "B"****DEBT OWING as at November 1<sup>st</sup>, 2023**

Principal Amount:	\$4,699,541.62
Interest October 1-31, 2023 (31 days)	\$ 56,881.79
Lender Fee (Ext. January 1, 2023)	\$ 35,400.00
Consultant Fee – Anders Holteng (Ext. January 1, 2023)	\$ 13,275.00
First Source Admin Fee (Ext. January 1, 2023)	\$ 500.00
First Source Disbursements (Ext. January 1, 2023)	\$ 500.00
First Source Site Visit Fee (Ext. January 1, 2023)	\$ 500.00
Extension Fee (Ext. May 1, 2023)	\$ 26,550.00
Consultant Fee – Anders Holteng (Ext. May 1, 2023)	\$ 8,850.00
First Source Admin Fee (Ext. May 1, 2023)	\$ 500.00
First Source Disbursements (Ext. May 1, 2023)	\$ 500.00
First Source Site Visit Fee (Ext. May 1, 2023)	\$ 500.00
Extension Fee (Ext. August 1, 2023)	\$ 9,300.00
Consultant Fee – Anders Holteng (Ext. August 1, 2023)	\$ 4,650.00
First Source Admin Fee (Ext. August 1, 2023)	\$ 500.00
First Source Disbursements (Ext. August 1, 2023)	\$ 500.00
First Source Site Visit Fee (Ext. August 1, 2023)	\$ 500.00
Extension Fee (Ext. September 1, 2023)	\$ 18,800.00
Failure to provide proof of insurance after requested (March 2023)	\$ 450.00
Failure to provide proof of insurance policy renewal after requested (August 2022)	\$ 450.00
Request for Discharge Statements x 3 Sched A 2k)	\$ 2,250.00
Less Trust Reserve	(\$ 92.60)
Legal Fees (\$6,500 plus HST plus estimated Disbursement)	<u>\$ 7,845.00</u>
	<b>\$4,888,650.81</b>

**SCHEDULE "D"**

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**B E T W E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

**Plaintiff**

- and -

**BLOCK 80 HOLDINGS INC. AND ANDRE SHERMAN**


**Defendants**

**CONSENT**

The Defendants hereby consent to judgment being entered against them in favour of the Plaintiff in an amount equal to their respective indebtedness to the Plaintiff relating to the loan of \$5,500,000 granted by the Plaintiff to the Defendant, Block 80 Holdings Inc. (guaranteed by Andre Sherman), including principal, interest, fees, including Forbearance Fees and expenses, together with interest at the rates applicable thereto and for that purpose. The amounts stated by the Plaintiff shall be binding and conclusive in the absence of manifest error.

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**BLOCK 80 HOLDINGS INC.**

Per:  \_\_\_\_\_

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**ANDRE SHERMAN**

- 4 -

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

Per: \_\_\_\_\_

- 5 -

Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**BETWEEN:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

**Plaintiff**

- and -

**BLOCK 80 HOLDINGS INC. AND ANDRE SHERMAN**

**Respondents**

**CONSENT**

The Respondents, by their solicitors duly authorized, hereby consent to the form and contents of the draft order attached hereto as Schedule "A" and confirm that no person or party to these proceedings is under any legal disability.

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**BLOCK 80 HOLDINGS INC.**

Per:  \_\_\_\_\_

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**ANDRE SHERMAN**

- 6 -

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

Per: \_\_\_\_\_

- 7 -

Schedule "A"

Court File No. CV-

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

THE HONOURABLE ) \_\_\_\_\_ DAY, THE  
JUSTICE ) DAY OF , 2024  
)

**B E T W E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

**Plaintiff**

- and -

**BLOCK 80 HOLDINGS INC.**

**Respondent**

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.B-3, AS AMENDED, AND SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C.43, AS AMENDED**

**ORDER  
(appointing Receiver)**

**THIS APPLICATION** made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing RSM Canada as receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Block 80 Holdings Inc. (the "Debtor"), acquired for or used



- 8 -

in relation to the Debtor's business, including the real property municipally known as 61 Thompsons Road West, Penetanguishene, as set out on Schedule "A" hereto (the "Lands"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of \_\_\_\_\_ sworn \_\_\_\_\_ and the exhibits thereto, on hearing the submissions of counsel for the Applicant and such other parties listed on the Counsel Slip, with no one else appearing for any party served as appears from the affidavit(s) of service of \_\_\_\_\_ sworn \_\_\_\_\_, and on reading the consent of RSM Canada to act as the Receiver,

### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

### **APPOINTMENT**

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, RSM Canada is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof and the Lands and all proceeds thereof (the "Property").

### **RECEIVER'S POWERS**

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- 9 -

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;

- 10 -

- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
  - (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
  - (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
    - (i) without the approval of this Court in respect of any transaction not exceeding \$\_\_\_\_\_, provided that the aggregate consideration for all such transactions does not exceed \$\_\_\_\_\_; and
    - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [or section 31 of the Ontario *Mortgages Act*, as the case may be,] shall not be required.
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
  - (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the

- 11 -

Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence

- 12 -

of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this

- 13 -

paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. **Block 80 Holdings Inc. (the "Debtor")**, that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

- 14 -

### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

### **NO INTERFERENCE WITH THE RECEIVER**

11. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

- 15 -

**CONTINUATION OF SERVICES**

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

**RECEIVER TO HOLD FUNDS**

13. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for



- 16 -

herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

#### **EMPLOYEES**

14. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

#### **PIPEDA**

15. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

- 17 -

### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

### **LIMITATION ON THE RECEIVER'S LIABILITY**

17. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

- 18 -

**RECEIVER'S ACCOUNTS**

18. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. **THIS COURT ORDERS** that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

**FUNDING OF THE RECEIVERSHIP**

21. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$\_\_\_\_\_ (or such greater amount as this Court may by further Order authorize) at any time, at

- 19 -

such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "B" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

#### **SERVICE AND NOTICE**

25. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of

- 20 -

documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL .

26. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

27. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

- 21 -

29. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. **THIS COURT ORDERS** that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

- 22 -

**SCHEDULE "A"**

**LEGAL DESCRIPTION OF THE PROPERTY**

**PIN 58405-0667 (LT)  
Block 80, Plan 51M887, Penetanguishene**

**SCHEDULE "B"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that RSM Canada, the receiver (the "Receiver") of the assets, undertakings and properties of Block 80 Holdings Inc. (the "Debtor"), acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof and the Lands and all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Order") made in an action having Court file number \_\_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.
2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.
3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver



to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

RSM Canada  
solely in its capacity as Receiver of the Property,  
and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

**SECOND FORBEARANCE AND LOAN AMENDMENT AGREEMENT**

**THIS AGREEMENT** is made as of the 27th day of January, 2024.

**BETWEEN:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

(the “**Lender**”)

-and-

**BLOCK 80 HOLDINGS INC.**

(the “**Borrower**”)

-and-

**ANDRE SHERMAN**

(the “**Guarantor**”)

**RECITALS:**

- A. The parties hereto entered into a Forbearance and Loan Amendment Agreement dated the 1st day of November, 2023.
- B. The amount currently advanced by the Lender and secured by the Mortgage and Loan Security Documents, will, on February 6<sup>th</sup>, 2024 be \$5,352,817.47 plus \$3,139.58 in outstanding legal fees (the “**Loan**”).
- C. The Borrower has advised the Lender that it will be unable to repay the Loan as of the Maturity Date of February 8<sup>th</sup>, 2024;
- D. the Borrower and Guarantor have requested that the Lender not proceed at this time to enforce their Loan pursuant to the rights the Lender has pursuant to the Loan Security Documents and the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023;
- E. the Lender is prepared to forbear from enforcing its security from February 8<sup>th</sup>, 2024 to March 8<sup>th</sup>, 2024, subject to and in accordance with the terms and conditions of this Second Forbearance and Loan Agreement (this “**Agreement**”);
- F. All capitalized terms utilized in this Agreement shall have the same meaning ascribed to them in the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023 unless amended in this Agreement.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

### **Acknowledgements**

1. Recitals – The parties hereto acknowledge and agree that each of the foregoing recitals are true and accurate both in substance and in fact.
2. Liability – The Obligors acknowledge that as of February 6<sup>th</sup>, 2024, the aggregate amount owing to the Lender under the Loan and secured by the Mortgage is \$5,352,817.47, plus legal fees of \$4,455 for this Agreement and outstanding legal fees of \$3,139.58. The sum of \$5,352,817.47, plus legal fees, plus accrued interest, fees, deferred extension fees and costs incurred by the Lender subsequent to February 5<sup>th</sup>, 2024, further advances by the Lender after the date hereof and all other amounts due or to become due by the Borrower under the Loan, this Agreement or otherwise to the date of repayment of the said Loan in full, is hereinafter collectively referred to as the **“Debt”**. The Obligors hereby confirm that they do not dispute their liability to pay the Debt on any ground whatsoever, that they have no claim, demand, set-off or counter-claim against the Lender on any basis whatsoever, and that there is no matter, fact or thing which may be asserted by them in extinction or diminution of the Debt or result in any bar to or delay in the recovery thereof. If there are any claims for set-off, counter-claim or damages, they are hereby expressly released and discharged by the Obligors.

### **Forbearance**

3. The Lender agrees not to take any steps to enforce the Loan or the Security until the earlier of:
  - (a) March 8th, 2024; and
  - (b) the occurrence of an Event of Default;(being the revised **“Forbearance Termination Date”**, and the period commencing on the 8<sup>th</sup> day of February, 2024 and ending on (but excluding) the Forbearance Termination Date is hereinafter defined as the **“Forbearance Period”**).

Upon the expiration or termination of the Forbearance Period, the agreement of the Lender to forebear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such termination will be to permit the Lender to exercise its rights and remedies under the Loan Security Documents immediately.

**Provided it shall be an Event of Default if the Borrower does not pay the interest payment due on February 1<sup>st</sup>, 2024 on or before February 14th, 2024 from its own resources.**

4. Forbearance Fees – In consideration for the Lender’s forbearance and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower shall pay to the Lender the following sums. as liquidated damages and not as a penalty, at the times as hereinafter provided:
- (a) the sum of \$13,750 per month on the 1<sup>st</sup> day of each month for each month commencing February 1st, 2024 until such time as the Debt is repaid in full. Any partial month shall not be pro-rated. The Borrower and Guarantors acknowledge that the sum of \$13,750 per month is a reasonable estimate of the time and effort the Lender and its staff will be providing to manage the Loan and the terms of this Agreement to be paid by the Borrower on the Forbearance Termination Date.
  - (b) Legal fees payable to Chaitons LLP for preparation of this Second Forbearance Loan Amendment Agreement in the amount of \$3,500 plus HST plus \$500 in disbursements for a total of \$4,455, to be paid by the Borrower plus outstanding legal fees of \$3,139.58.

### **Interest Rate**

9. Amendment to Interest Rate

In consideration of the Lender agreeing to execute this Forbearance Agreement in addition to the other matters provided for herein, the payment terms of the Loan shall be amended effective as of February 1<sup>st</sup>, 2024 to be as follows:

- (a) For the period commencing February 1<sup>st</sup>, 2024 to and including February 29<sup>th</sup>, 2024 the interest rate pursuant to the Loan shall be the greater of 9.75% per annum or the rate per annum which is 7.05 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated monthly, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time.
- (b) Commencing March 1<sup>st</sup>, 2024 the interest rate pursuant to the Loan shall be the greater of 18% per annum or the rate per annum which is 15.30 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated daily, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time, as well after as before maturity and both before and after default.

### **Miscellaneous**

10. Independent Legal Advice – Each of the Borrower and the Guarantor acknowledges that, in executing and delivering this Agreement, they have acted and continue to act freely and without duress. Each of the Borrower and the Guarantor confirms that they have had the benefit of independent legal advice in connection with the preparation and negotiation of this Agreement. Each of the Borrower and the Guarantor hereby waives and agrees not to

assert or cause to be asserted any defence, right or claim with respect to any matter set forth in this Agreement, and each of them hereby releases the Lender from any and all claims they may have with respect thereto arising on or before the date of this Agreement.

11. Further Assurances – The Obligors, upon request by the Lender, shall promptly do, make, execute and deliver all such further acts, documents and instruments as the Lender may reasonably require to allow the Lender to enforce any of its rights under this Agreement and to give effect to the intention thereof.
12. Capacity and Authority – The Obligors represent and warrant to the Lender that they have the capacity and authority to enter into and perform their obligations under this Agreement.
13. Headings – The headings contained herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
14. Severability – If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.
15. **Time – Time is of the essence in the performance of the parties’ respective obligations.**
16. Amendment – No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound thereby.
17. Notices – Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or other means of electronic communication including e-mail:

(i) in the case of a Notice to the Lender, at:

2235 Sheppard Avenue East  
Suite 1202, Atria II  
Toronto, Ontario  
M2J 5B5

Attention: David Mandel  
Email: [dmandel@firstsource.com](mailto:dmandel@firstsource.com)

with a copy to:

Chaitons LLP  
5000 Yonge Street, 10<sup>th</sup> Floor  
Toronto, ON M2N 7E9

Attention: Barry Rotenberg  
Facsimile: (416) 218-1133  
Email: [brotenberg@chaitons.com](mailto:brotenberg@chaitons.com)

in the case of a Notice to the Borrower and the Guarantor:

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

and with a copy to:

HGR Graham Partners LLP  
518 Yonge Street  
Midland, Ontario  
L4R 2C5

Attention: John Walker

Email: [jwalker@hgrgp.ca](mailto:jwalker@hgrgp.ca)

The date of receipt of such notice shall be the date of the actual delivery to the address specified if delivered or the date of actual transmission to the facsimile number or electronic address if sent by facsimile transmission or electronic communication (including email), respectively, unless such date is not a Business Day, in which event the date of receipt shall be the next Business Day immediately following the date of such delivery or transmission. “**Business Day**” means a day other than a Saturday, Sunday, statutory holiday in the Province of Ontario or Canada, or any other day on which the Schedule 1 Canadian Chartered Banks located in the City of Toronto are not open for business during normal business hours.

18. **Amendment to November 1<sup>st</sup>, 2023 Forbearance and Loan Amending Agreement - Save as amended hereby all terms and conditions of the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023 shall remain the same.**
19. Enurement – This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party), permitted assigns, heirs and estate trustees.
20. No Novation – This Agreement shall not constitute and shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of any of the Loan Security Documents.
21. Governing Law – This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

22. Execution and Delivery – This Agreement may be executed in counterparts, and acceptance of this Agreement may be provided by facsimile transmission or email transmission in PDF format and, on such execution and transmission, this Agreement shall be binding on the parties with the same force and effect as if originally executed.
23. Entire Agreement – This Agreement, together with the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understanding or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

**[remainder of page intentionally left blank]**

IN WITNESS OF WHICH the parties have duly executed this Agreement on the date described above.

**FIRST SOURCE FINANCIAL  
MANAGEMENT INC.**

By:

DocuSigned by:  
*David Mandel*  
ED38E3277FD44CB...

David Mandel

CEO

I have the authority to bind the Corporation

**BLOCK 80 HOLDINGS INC.**

By:



Andre Sherman

President

I have authority to bind the corporation.



\_\_\_\_\_  
Witness

\_\_\_\_\_  
Andre Sherman – Guarantor



**THIRD FORBEARANCE AND LOAN AMENDMENT AGREEMENT**

**THIS AGREEMENT** is made as of the 1st day of March, 2024.

**BETWEEN:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

(the “**Lender**”)

-and-

**BLOCK 80 HOLDINGS INC.**

(the “**Borrower**”)

-and-

**ANDRE SHERMAN**

(the “**Guarantor**”)

**RECITALS:**

- A. The parties hereto entered into a Forbearance and Loan Amendment Agreement dated the 1st day of November, 2023.
- B. The parties hereto entered into a Second Forbearance and Loan Amendment Agreement dated the 27<sup>th</sup> day of January, 2024;
- C. The amount currently advanced by the Lender and secured by the Mortgage and Loan Security Documents, will, on March 1<sup>st</sup>, 2024 be \$5,365,298.50 including the March 1<sup>st</sup>, 2024 interest payment (the “**Loan**”).
- D. The Borrower has advised the Lender that it will be unable to repay the Loan as of the Maturity Date of February 8<sup>th</sup>, 2024;
- E. the Borrower and Guarantor have requested that the Lender not proceed at this time to enforce their Loan pursuant to the rights the Lender has pursuant to the Loan Security Documents and the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023 and the Second Forbearance and Loan Amendment Agreement dated January 27<sup>th</sup>, 2024;
- F. the Lender is prepared to forbear from enforcing its security from March 8<sup>th</sup>, 2024 to April 8<sup>th</sup>, 2024, subject to and in accordance with the terms and conditions of this Third Forbearance and Loan Agreement (this “**Agreement**”);

- G. All capitalized terms utilized in this Agreement shall have the same meaning ascribed to them in the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023 and January 27<sup>th</sup>, 2024, unless amended in this Agreement.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

### **Acknowledgements**

1. Recitals – The parties hereto acknowledge and agree that each of the foregoing recitals are true and accurate both in substance and in fact.
2. Liability – The Obligors acknowledge that as of March 1<sup>st</sup>, 2024, the aggregate amount owing to the Lender under the Loan and secured by the Mortgage is \$5,365,298.50, including legal fees of \$4,455 for this Agreement and the March 1<sup>st</sup>, 2024 interest payment. The sum of \$5,365,298.50, plus legal fees, plus accrued interest, fees, deferred extension fees and costs incurred by the Lender subsequent to February 29<sup>th</sup>, 2024, further advances by the Lender after the date hereof and all other amounts due or to become due by the Borrower under the Loan, this Agreement or otherwise to the date of repayment of the said Loan in full, is hereinafter collectively referred to as the “**Debt**”. The Obligors hereby confirm that they do not dispute their liability to pay the Debt on any ground whatsoever, that they have no claim, demand, set-off or counter-claim against the Lender on any basis whatsoever, and that there is no matter, fact or thing which may be asserted by them in extinction or diminution of the Debt or result in any bar to or delay in the recovery thereof. If there are any claims for set-off, counter-claim or damages, they are hereby expressly released and discharged by the Obligors.

### **Forbearance**

3. The Lender agrees not to take any steps to enforce the Loan or the Security until the earlier of:

- (a) April 8<sup>th</sup>, 2024; and
- (b) the occurrence of an Event of Default;

(being the revised “**Forbearance Termination Date**”, and the period commencing on the 8<sup>th</sup> day of March, 2024 and ending on (but excluding) the Forbearance Termination Date is hereinafter defined as the “**Forbearance Period**”).

Upon the expiration or termination of the Forbearance Period, the agreement of the Lender to forebear shall automatically and without further action terminate and be of no further force and effect, it being expressly agreed that the effect of such termination will be to permit the Lender to exercise its rights and remedies under the Loan Security Documents immediately.

**Provided it shall be an Event of Default if the Borrower does not pay the interest payment due on March 1<sup>st</sup>, 2024 in the amount of \$58,250.17 on or before March 15<sup>th</sup>, 2024 from its own resources.**

4. Forbearance Fees – In consideration for the Lender’s forbearance and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Borrower shall pay to the Lender the following sums. as liquidated damages and not as a penalty, at the times as hereinafter provided:
- (a) the sum of \$13,750 per month on the 1<sup>st</sup> day of each month for each month commencing March 1st, 2024 until such time as the Debt is repaid in full. Any partial month shall not be pro-rated. The Borrower and Guarantors acknowledge that the sum of \$13,750 per month is a reasonable estimate of the time and effort the Lender and its staff will be providing to manage the Loan and the terms of this Agreement to be paid by the Borrower on the Forbearance Termination Date.
  - (b) Legal fees payable to Chaitons LLP for preparation of this Third Forbearance Loan Amendment Agreement in the amount of \$3,500 plus HST plus \$500 in disbursements for a total of \$4,455, to be paid, by the Borrower plus outstanding legal fees of \$3,139.58 and \$4,455.

The aforesaid amounts in this Section 4, if not paid shall become due and be payable on the earlier of:

- (a) April 8<sup>th</sup>, 2024; or
- (b) repayment of the Debt;
- (c) the occurrence of an Event of Default.

## **Interest Rate**

### 5. Amendment to Interest Rate

In consideration of the Lender agreeing to execute this Third Forbearance Agreement in addition to the other matters provided for herein, the payment terms of the Loan shall be amended effective as of March 1<sup>st</sup>, 2024 to be as follows:

- (a) For the period commencing March 1<sup>st</sup>, 2024 to and including March 31st, 2024 the interest rate pursuant to the Loan shall be the greater of 9.75% per annum or the rate per annum which is 7.05 percentage points above the prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated monthly, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time.
- (b) Commencing April 1<sup>st</sup>, 2024 the interest rate pursuant to the Loan shall be the greater of 18% per annum or the rate per annum which is 15.30 percentage points above the

prime commercial lending rate charged by the Canadian Imperial Bank of Commerce from time to time, on loans made in Canadian funds to its most favoured commercial borrowers, which interest shall be calculated daily, not in advance and adjusted as to fluctuations in such prime commercial lending rate of interest from time to time, as well after as before maturity and both before and after default.

### **Miscellaneous**

6. Independent Legal Advice – Each of the Borrower and the Guarantor acknowledges that, in executing and delivering this Agreement, they have acted and continue to act freely and without duress. Each of the Borrower and the Guarantor confirms that they have had the benefit of independent legal advice in connection with the preparation and negotiation of this Agreement. Each of the Borrower and the Guarantor hereby waives and agrees not to assert or cause to be asserted any defence, right or claim with respect to any matter set forth in this Agreement, and each of them hereby releases the Lender from any and all claims they may have with respect thereto arising on or before the date of this Agreement.
7. Further Assurances – The Obligors, upon request by the Lender, shall promptly do, make, execute and deliver all such further acts, documents and instruments as the Lender may reasonably require to allow the Lender to enforce any of its rights under this Agreement and to give effect to the intention thereof.
8. Capacity and Authority – The Obligors represent and warrant to the Lender that they have the capacity and authority to enter into and perform their obligations under this Agreement.
9. Headings – The headings contained herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
10. Severability – If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.
11. Time – **Time is of the essence in the performance of the parties' respective obligations.**
12. Amendment – No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound thereby.
13. Notices – Any notice, consent or approval required or permitted to be given in connection with this Agreement (a “**Notice**”) shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile or other means of electronic communication including e-mail:
  - (i) in the case of a Notice to the Lender, at:

2235 Sheppard Avenue East  
Suite 1202, Atria II  
Toronto, Ontario  
M2J 5B5

Attention: David Mandel  
Email: [dmandel@firstsource.com](mailto:dmandel@firstsource.com)

with a copy to:

Chaitons LLP  
5000 Yonge Street, 10<sup>th</sup> Floor  
Toronto, ON M2N 7E9

Attention: Barry Rotenberg  
Facsimile: (416) 218-1133  
Email: [brotenberg@chaitons.com](mailto:brotenberg@chaitons.com)

in the case of a Notice to the Borrower and the Guarantor:

135 Holmes Avenue  
Toronto, Ontario  
M2N 4M5

and with a copy to:

HGR Graham Partners LLP  
518 Yonge Street  
Midland, Ontario  
L4R 2C5

Attention: John Walker

Email: [jwalker@hgrgp.ca](mailto:jwalker@hgrgp.ca)

The date of receipt of such notice shall be the date of the actual delivery to the address specified if delivered or the date of actual transmission to the facsimile number or electronic address if sent by facsimile transmission or electronic communication (including email), respectively, unless such date is not a Business Day, in which event the date of receipt shall be the next Business Day immediately following the date of such delivery or transmission. “**Business Day**” means a day other than a Saturday, Sunday, statutory holiday in the Province of Ontario or Canada, or any other day on which the Schedule 1 Canadian Chartered Banks located in the City of Toronto are not open for business during normal business hours.

14. **Amendment to November 1<sup>st</sup>, 2023 Forbearance and Loan Amending Agreement - Save as amended hereby all terms and conditions of the Forbearance and Loan Amendment Agreement dated November 1<sup>st</sup>, 2023, as amended by the Second Forbearance and Loan Amendment Agreement amended January 27<sup>th</sup>, 2024, shall remain the same.**
15. **Enurement** – This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party), permitted assigns, heirs and estate trustees.
16. **No Novation** – This Agreement shall not constitute and shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of any of the Loan Security Documents.
17. **Governing Law** – This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
18. **Execution and Delivery** – This Agreement may be executed in counterparts, and acceptance of this Agreement may be provided by facsimile transmission or email transmission in PDF format and, on such execution and transmission, this Agreement shall be binding on the parties with the same force and effect as if originally executed.
19. **Entire Agreement** – This Agreement, together with the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understanding or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

**[remainder of page intentionally left blank]**

IN WITNESS OF WHICH the parties have duly executed this Agreement on the date described above.

**FIRST SOURCE FINANCIAL  
MANAGEMENT INC.**

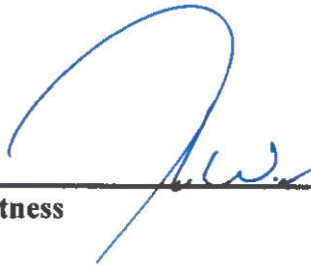
By:

\_\_\_\_\_  
David Mandel  
CEO  
I have the authority to bind the Corporation

**BLOCK 80 HOLDINGS INC.**

By:

\_\_\_\_\_  
Andre Sherman  
President  
I have authority to bind the corporation.

  
\_\_\_\_\_  
Witness

\_\_\_\_\_  
Andre Sherman – Guarantor

WE HEREBY CONFIRM that the provisions of the above-noted Fifth Forbearance Agreement shall have priority over our Mortgage registered as Instrument No. SC1971266 and Assignment of Rents registered as Instrument No. SC1971267.

DATED this 1st day of March, 2024.

2070409 ONTARIO INC.

Per: \_\_\_\_\_

Name:

Title:

I have the authority to bind the Corporation

This is **Exhibit “L”**  
in the Affidavit of Kunj Patel  
affirmed the 7<sup>th</sup> day of June, 2024

A handwritten signature in black ink, appearing to read 'Ryan Shah', written in a cursive style.

---

Commissioner for Taking Affidavits, etc.

Ryan Shah (LSO # 88250C)



## Discharge Statement

**FIRST SOURCE**  
 FINANCIAL MANAGEMENT INC.
**Borrower**

Block 80 Holdings Inc.

**Property**Block 80, Bellisle Heights, 61 Thompsons Rd. W.,  
Penetanguishene, ON

Account Number	1338.20.12R4
Payoff Due Date	21-May-24
Payoff Amount	\$6,002,774.66
Total Loan Amount	\$5,100,000.00
Advanced Amount	\$5,100,000.00
Unadvanced Amount	\$0.00
Advanced Interest Rate as of Feb 1/24: Higher of 9.75% or (CIBC Prime + 7.05%)	14.25%
Advanced Interest Rate as of Apr 1/24: Higher of 18.00% or (CIBC Prime + 15.30%)	22.50%
Interest Per Diem	\$3,277.74

After 2024-05-21, please pay an additional \$3,277.74 per day. This notice expires on 2024-05-31, at which time you are instructed to contact this office for additional instructions.

Funds may be tendered any time up to 1:00 pm May 21, 2024 based on the existing statement.

If funds are tendered after 1:00 pm, May 21, 2024 please add additional per diem to NEXT business day.

Subject to adjustments to legal fees, disbursements, charges, etc.

E. & O.E.

## Account Activity

Principal Balance	\$5,100,000.00
February 1 - 29, 2024 (29 days interest)	\$58,250.17
March 1 - 31, 2024 (31 days interest)	\$62,428.96
April 1 - 30, 2024 (30 days interest)	\$96,546.81
May 1 - 20, 2024 (20 days interest)	\$65,554.84
3 Months Interest Bonus at 22.50%	\$286,875.00
Consultant Fee - Anders Holteng (Ext. Aug 1/23)	\$4,650.00
Consultant Fee - Anders Holteng (Ext. Jan 1/23)	\$13,275.00
Consultant Fee - Anders Holteng (Ext. May 1/23)	\$8,850.00
Extension Fee (Ext. Aug 1/23)	\$9,300.00
Extension Fee (Ext. May 1/23)	\$26,550.00
Extension Fee (Ext. Sep 1/23)	\$18,800.00
Failure to provide proof of insurance after requested (March 2023)	\$450.00
Failure to provide proof of insurance policy renewal after requested (Aug.2022)	\$450.00
First Source Admin Fee (Ext. Aug 1/23)	\$500.00
First Source Admin Fee (Ext. Jan 1/23)	\$500.00
First Source Admin Fee (Ext. May 1/23)	\$500.00
First Source Disbursements (Ext. Aug 1/23)	\$500.00
First Source Disbursements (Ext. Jan 1/23)	\$500.00
First Source Disbursements (Ext. May 1/23)	\$500.00
First Source Site Visit Fee (Ext. Aug 1/23)	\$500.00
First Source Site Visit Fee (Ext. Jan 1/23)	\$500.00
First Source Site Visit Fee (Ext. May 1/23)	\$500.00
Forbearance Fee (Nov 1/23)	\$13,750.00
Forbearance Fee (Dec 1/23)	\$13,750.00
Forbearance Fee (Jan 1/24)	\$13,750.00
Forbearance Fee (Feb 1/24)	\$13,750.00
Forbearance Fee (Mar 1/24)	\$13,750.00
Forbearance Fee (Apr 1/24)	\$13,750.00
Forbearance Fee (May 1/24)	\$13,750.00
Lender Fee (Ext. Jan 1/23)	\$35,400.00
Sched A 2k) Request for Discharge Statement 7x	\$5,850.00
ProIncon INV#33621 Insurance Review (reimburse FS)	\$423.75
Holding Over Fee	\$89,922.17
Chaitons LLP - Legal Fees (Feb 1, 2024 Forbearance)	\$4,455.00
Chaitons LLP - Legal Fees (Mar 1, 2024 Forbearance)	\$4,455.00
Chaitons LLP - Outstanding Legal Fees	\$6,480.56
Late Charges	\$3,150.00
Trust Reserve	-\$92.60
<b>Total Outstanding Amount</b>	<b>\$6,002,774.66</b>

**Interest Charge Summary**

Interest Charges on Loan Balances (Daily balances exclude reserve balances, impound balances, late charges):

Date	Daily Balance	Days	Daily Periodic Rate	Interest Rate	Interest Charge
02/01/2024	\$5,162,008.55	21	0.0390411%	14.25%	\$42,321.40
02/22/2024	\$5,100,000.00	8	0.0390411%	14.25%	\$15,928.77
					<u>\$58,250.17</u>
03/01/2024	\$5,158,250.17	31	0.0390411%	14.25%	\$62,428.96
04/01/2024	\$5,220,679.13	30	0.0616438%	22.50%	\$96,546.81
05/01/2024	\$5,317,225.94	20	0.0616438%	22.50%	\$65,554.84

Court File No. CV-24-00720929-00CL

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
Applicant

-and-

BLOCK 80 HOLDINGS INC. et al.  
Respondents

---

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

---

**AFFIDAVIT OF KUNJ PATEL**

---

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**  
155 Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry** (LSO#44608D)  
Tel: (416) 646-4330  
jeff.larry@paliareroland.com

**Ryan Shah** (LSO# 88250C)  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

# TAB 3

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

**B E T W E E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

**- and -**

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**CONSENT**

**TDB Restructuring Limited** hereby consents to act as Receiver, without security, of the real property municipally known as Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario and having the legal description: PIN 58405-0667, Block 80, Plan 51M887, Penetanguishene in accordance with an order substantially in the form of the receivership order sought and included in the Application Record of First Source Financial Management Inc.

June 7, 2024

**TDB RESTRUCTURING LIMITED**



---

Per: Bryan A. Tannenbaum, FCPA, FCA,  
FCIRP, LIT  
Managing Director

I have the authority to bind the corporation

# TAB 4

Court File No. CV-24-00720929-00CL

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

THE HONOURABLE	)	WEEKDAY, THE #
	)	
JUSTICE	)	DAY OF MONTH, 20YR

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

- and -

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**ORDER**  
**(Appointing Receiver)**

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing TDB Restructuring Limited as receiver and manager (in such capacities, the "Receiver") without security, over the lands and premises described in Appendix "A" hereto (the "Real Property"), owned by Block 80 Holdings Inc. (the "Debtor"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Kunj Patel sworn [DATE] and the Exhibits thereto and on hearing the submissions of counsel for Applicant and the other parties listed on the counsel slip, no one else appearing although duly served as appears from the affidavit of service of Ursula Nicola sworn [DATE] and on reading the consent of TDB Restructuring Limited to act as the Receiver,

**SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

**APPOINTMENT**

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, TDB Restructuring Limited is hereby appointed Receiver, without security, of the Real Property including all proceeds thereof (the "Property").

**RECEIVER'S POWERS**

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security



personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;

- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;

- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$500,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario Personal Property Security Act, [or section 31 of the Ontario Mortgages Act, as the case may be,] shall not be required, and in each case the Ontario Bulk Sales Act shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies

thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant

landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or

the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH THE RECEIVER**

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such

other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.



**PIPEDA**

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

**LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other

contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

#### **RECEIVER'S ACCOUNTS**

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that

the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$500,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed

and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

#### **SERVICE AND NOTICE**

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule

17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<@>'.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms

of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

---

**Appendix "A"**

PIN 58405-0667, Block 80, Plan 51M887, Penetanguishene

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that TDB Restructuring Limited, the receiver (the "Receiver") of the property municipally known as Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (the "Property") owned by Block 80 Holdings Inc. (the "Debtor") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Order") made in an action having Court file number \_\_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the



right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

TDB Restructuring Limited, solely in its  
capacity  
as Receiver of the Property, and not in its  
personal capacity

Per: \_\_\_\_\_

Name:

Title:

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
Applicant

-and-

BLOCK 80 HOLDINGS INC. et al.  
Respondents

---

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

---

**ORDER  
(APPOINTING RECEIVER)**

---

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**  
155 Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry** (LSO#44608D)  
Tel: (416) 646-4330  
jeff.larry@paliareroland.com

**Ryan Shah** (LSO# 88250C)  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

# TAB 5

Court File No. ~~\_\_\_\_\_~~ CV-24-00720929-00CL

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

THE HONOURABLE	)	WEEKDAY, THE #
	)	
JUSTICE	)	DAY OF MONTH, 20YR

**PLAINTIFF FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Plaintiff Applicant

- and -

**DEFENDANT BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Defendant Respondents

**ORDER**  
**(Appointing Receiver)**

THIS ~~MOTION~~ APPLICATION made by the Plaintiff Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing [RECEIVER'S NAME] TDB Restructuring Limited as receiver ~~{~~ and manager ~~}~~ (in such capacities, the "Receiver") without security, ~~of all of~~ over the ~~assets, undertakings, lands~~ and ~~properties of [DEBTOR'S NAME] premises described in Appendix "A" hereto (the "Real Property"), owned by Block 80 Holdings Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor,~~ was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME] Kunj Patel sworn [DATE] and the Exhibits thereto and on hearing the submissions of counsel for [NAMES], Applicant and the other parties listed on the counsel slip, no one else appearing ~~for [NAME]~~ although duly served

as appears from the affidavit of service of ~~{NAME}~~ Ursula Nicola sworn [DATE] and on reading the consent of ~~{RECEIVER'S NAME}~~ TDB Restructuring Limited to act as the Receiver,

## SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

## APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, ~~{RECEIVER'S NAME}~~ TDB Restructuring Limited is hereby appointed Receiver, without security, of ~~all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor,~~ Real Property including all proceeds thereof (the "Property").

## RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;

- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding ~~\$ \_\_\_\_\_~~, ~~\$250,000~~, provided that the aggregate consideration for all such transactions does not exceed ~~\$ \_\_\_\_\_~~; ~~\$500,000~~; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario Personal Property Security Act, [or section 31 of the Ontario Mortgages Act, as the case may be,] shall not be required, and in each case the Ontario Bulk Sales Act shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;



- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and

accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver

with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

**NO EXERCISE OF RIGHTS OR REMEDIES**

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

**NO INTERFERENCE WITH THE RECEIVER**

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

**CONTINUATION OF SERVICES**

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such

goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in

section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

## **PIPEDA**

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

## **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a

spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

#### **RECEIVER'S ACCOUNTS**

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the

Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **FUNDING OF THE RECEIVERSHIP**

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$           \$500,000           (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable



for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

#### **SERVICE AND NOTICE**

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the

service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '<@>'.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the Plaintiff shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

---

**Appendix "A"**

PIN 58405-0667, Block 80, Plan 51M887, Penetanguishene

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that ~~[RECEIVER'S NAME]~~, TDB Restructuring Limited, the receiver (the "Receiver") of the ~~assets, undertakings and properties [DEBTOR'S NAME] acquired for, or used in relation to a business carried on~~ property municipally known as Block 80, Bellisle Heights, 61 Thompsons Road, Penetanguishene, Ontario (the "Property") owned by Block 80 Holdings Inc. (the ~~"Debtor, including all proceeds thereof (collectively, the "Property")~~) appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the \_\_\_ day of \_\_\_\_\_, 20\_\_ (the "Order") made in an action having Court file number \_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of ~~\$ \_\_\_\_\_~~ \$500,000 which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the

Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

[RECEIVER'S NAME], TDB Restructuring Limited, solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

Per: \_\_\_\_\_

Name:

Title:

Court File No. CV-24-00720929-00CL

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
Applicant

-and-

BLOCK 80 HOLDINGS INC. et al.  
Respondents

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

**ORDER**  
**(APPOINTING RECEIVER)**

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**  
155 Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry (LSO#44608D)**  
Tel: (416) 646-4330  
jeff.larry@paliareroland.com

**Ryan Shah (LSO# 88250C)**  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

# TAB 6



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) WEEKDAY, THE #  
JUSTICE ) DAY OF MONTH, 20YR  
)

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

- and -

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**JUDGMENT**

THIS APPLICATION was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the consent of the parties and on hearing the submissions of counsel for the Applicant and the other parties listed on the counsel slip, no one else appearing although duly served as appears from the affidavit of service of Ursula Nicola sworn [DATE],

1. THIS COURT ORDERS AND ADJUDGES that the respondents Block 80 Holdings Inc. and Andre Sherman are jointly and severally liable to pay to the Applicant the sum of \$6,002,774.66 plus the Applicant’s legal costs of enforcing this order on a full indemnity basis.

2. THIS COURT ORDERS AND ADJUDGES that the amount referred to in paragraph one of this judgment bears interest, from May 21, 2024, at the annual rate of the higher of 18.00% or CIBC Prime + 15.30%.

FIRST SOURCE FINANCIAL MANAGEMENT INC.  
Applicant

-and-

BLOCK 80 HOLDINGS INC. et al.  
Respondents

---

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

---

**JUDGMENT**

---

**PALIARE ROLAND ROSENBERG ROTHSTEIN LLP**  
155 Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry** (LSO#44608D)  
Tel: (416) 646-4330  
jeff.larry@paliareroland.com

**Ryan Shah** (LSO# 88250C)  
Tel: 416.646.6356  
ryan.shah@paliareroland.com

Lawyers for the Applicant

# TAB 7

Court File No. CV-24-00720929-00CL

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

**B E T W E E N:**

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**

Applicant

- and -

**BLOCK 80 HOLDINGS INC. and ANDRE SHERMAN**

Respondents

**APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*,  
R.S.C. 1985, c. B-3, and section 101 of the *Courts of Justice Act*,  
R.S.O. 1990, c. C.43**

**SERVICE LIST (JUNE 10, 2024)**

**Paliare Roland Rosenberg Rothstein LLP**  
155 Wellington Street West, 35th Floor  
Toronto, Ontario M5V 3H1

**Jeffrey Larry (LSO # 44608D)**  
Tel.: (416) 646-4330  
[jeff.larry@paliareroland.com](mailto:jeff.larry@paliareroland.com)

**Ryan Shah (LSO # 88250C)**  
Tel: 416.646.6356  
[ryan.shah@paliareroland.com](mailto:ryan.shah@paliareroland.com)

**Lawyers for the Applicant**

AND TO: **TDB Restructuring Ltd.**  
11 King St. West, Suite 700  
Toronto, ON M5H 4C7  
Tel: 416.575.4440  
Fax: 416.915.6228

**Bryan Tannenbaum**  
Tel: 416-238-5055  
[btannenbaum@tdbadvisory.ca](mailto:btannenbaum@tdbadvisory.ca)

**Jeffrey Berger**  
Tel: 647-726-0496  
[jberger@tdbadvisory.ca](mailto:jberger@tdbadvisory.ca)

**Arif Dhanani**  
Tel: 647-725-0183  
[adhanani@tdbadvisory.ca](mailto:adhanani@tdbadvisory.ca)

**The Proposed Receiver**

AND TO: **Andre Sherman**  
135 Holmes Avenue  
Toronto, ON M2J 5B5  
[andresherman14@gmail.com](mailto:andresherman14@gmail.com)

AND TO: **BLOCK 80 HOLDINGS INC.**  
135 Holmes Avenue  
Toronto, ON M2J 5B5  
[andresherman14@gmail.com](mailto:andresherman14@gmail.com)

AND TO: **2070409 ONTARIO INC.**  
55 Village Centre Place  
Mississauga, ON L4Z 1V9

**E-SERVICE LIST**

[jeff.larry@paliareroland.com](mailto:jeff.larry@paliareroland.com); [ryan.shah@paliareroland.com](mailto:ryan.shah@paliareroland.com);  
[btannenbaum@tdbadvisory.ca](mailto:btannenbaum@tdbadvisory.ca); [jberger@tdbadvisory.ca](mailto:jberger@tdbadvisory.ca); [adhanani@tdbadvisory.ca](mailto:adhanani@tdbadvisory.ca);  
[andresherman14@gmail.com](mailto:andresherman14@gmail.com);

**FIRST SOURCE FINANCIAL MANAGEMENT INC.**  
Applicant

-and-

**BLOCK 80 HOLDINGS INC. et al.**  
Respondents

---

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

---

**SERVICE LIST**

---

**Paliare Roland Rosenberg Rothstein LLP** 155  
Wellington Street West, 35<sup>th</sup> Floor  
Toronto, ON M5V 3H1  
Fax: (416) 646-4301

**Jeffrey Larry** (LSO # 44608D)  
Tel: (416) 646-4330  
[jeff.larry@paliareroland.com](mailto:jeff.larry@paliareroland.com)

**Ryan Shah** (LSO # 88250C)  
Tel: 416.646.6356  
[ryan.shah@paliareroland.com](mailto:ryan.shah@paliareroland.com)

**Lawyers for the Applicant**



**FIRST SOURCE FINANCIAL MANAGEMENT INC.**  
Applicant

-and-

**BLOCK 80 HOLDINGS INC. et al.**  
Respondents

---

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

---

**APPLICATION RECORD OF THE APPLICANT,  
FIRST SOURCE FINANCIAL MANAGEMENT INC.**

---

**Paliare Roland Rosenberg Rothstein LLP**  
155 Wellington Street West, 35th Floor  
Toronto ON M5V 3H1  
Tel: 416.646.4300  
Fax: 416.646.4301

**Jeffrey Larry** (LSO # 44608D)  
Tel: 416.646-4330  
[jeff.larry@paliareroland.com](mailto:jeff.larry@paliareroland.com)

**Ryan Shah** (LSO # 88250C)  
Tel: 416.646-6356  
[ryan.shah@paliareroland.com](mailto:ryan.shah@paliareroland.com)

**Lawyers for the Applicant**