

## **APPENDIX "C"**

**Properties**

*PIN* 21403 - 0099 LT *Estate/Qualifier* Fee Simple Absolute  
*Description* PART OF TOWN LOTS 5 & 6, SOUTH SIDE OF RICHMOND STREET WEST, TOWN OF YORK PLAN, DESIGNATED AS PART 2, PLAN 68R19771, CITY OF TORONTO.; S/T EASEMENT IN FAVOUR OF ROGERS CABLE INC. AS SET OUT IN CA749455 ; T/W RIGHT-OF-WAY OVER THE COMMON ELEMENTS OF TORONTO STANDARD CONDOMINIUM PLAN NO. 1509 AS DESCRIBED IN AT138798. ; THE EASTERLY LIMIT OF SHEPPARD STREET HAS BEEN CONFIRMED BY BA-1786 AS INST. CT431216.  
*Address* CITY OF TORONTO

**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* SAPPHIRE TOWER DEVELOPMENT CORP.  
*Address for Service* 73 Richmond Street West, Suite 100,  
Toronto, Ontario M5H 4E8

I, Harry Stinson, have the authority to bind the corporation.  
This document is not authorized under Power of Attorney by this party.

**Chargee(s)**

*Capacity*

*Share*

*Name* GRAPHIC ARTS BUILDING INCORPORATED  
*Address for Service* 50 Weybright Court  
Unit 1  
Toronto, Ontario  
M1S 5A8

**Statements**

Schedule: See Schedules

**Provisions**

<i>Principal</i>	\$10,500,000.00	<i>Currency</i>	CDN
<i>Calculation Period</i>	Monthly		
<i>Balance Due Date</i>	2006/12/01		
<i>Interest Rate</i>	9.0%		
<i>Payments</i>	\$78,750.00		
<i>Interest Adjustment Date</i>	2005 05 01		
<i>Payment Date</i>	1st day of each month		
<i>First Payment Date</i>	2005 06 01		
<i>Last Payment Date</i>	2006 12 01		
<i>Standard Charge Terms</i>	200033		
<i>Insurance Amount</i>	full insurable value		
<i>Guarantor</i>			

**Additional Provisions**

Monthly payments are of interest only.

It is a term of this mortgage that the Chargor shall make a payment of \$2,000,000.00 on or before November 1, 2005 said payment shall be paid towards a reduction of the principal amount of the mortgage. Any failure of the Chargor to make this payment shall be considered to be a default under the terms of this mortgage.

**Signed By**

Gary Donald Goldfarb                      5001 Yonge St., suite 301                      acting for Chargor(s)                      Signed                      2005 05 05  
Toronto M2N 6P6  
Tel                      416-223-9191  
Fax                      4162239405

**Submitted By**

MEYER, WASSENAAR & BANACH                      5001 Yonge St., suite 301                      2005 05 05  
Toronto M2N 6P6  
Tel                      416-223-9191  
Fax                      4162239405

**Fees/Taxes/Payment**

Statutory Registration Fee                      \$60.00  
Total Paid                      \$60.00

**File Number**

Chargee Client File Number :                      05-1876

The following terms of the mortgage are in addition to any terms of the mortgage as set out in Standard Charge Terms No. 200033 and shall form a part of this mortgage. Should there be any conflict between the following provisions and those contained in Standard Charge Terms No. 200033 or the mortgage commitment the following provisions shall apply.

#### INTEREST

PROVIDED that the monthly interest payment shall be due on the 1st day of each month. Interest shall be calculated on a monthly basis, not in advance and shall be payable at the rate as set out in this mortgage before and after maturity until the principal is paid in full.

#### OPEN MORTGAGE

PROVIDED that the Mortgagors when not in default hereunder, shall have the privilege of prepaying the whole or any part of the principal sum hereby secured on any payment date.

#### SALE CLAUSE

PROVIDED that should the Mortgagors sell, convey, transfer or further encumber the property by a lien, mortgage, execution or otherwise, then the amount of principal then outstanding shall, at the option of the mortgagee, immediately become due and payable, together with any penalties set out herein.

#### 12 POST-DATED CHEQUES

PROVIDED that the Mortgagors shall provide to the Mortgagee twelve (12) post-dated cheques at the time of the first advance hereunder.

#### \$350.00 N.S.F. and LATE PAYMENT CHARGE

PROVIDED further that there will be a Three Hundred and Fifty Dollar (\$350.00) charge to the Mortgagors for each Mortgage payment that is missed or any payment that is not honoured by the Mortgagors bank or any post-dated cheques not deposited at the request of the Mortgagors on the day the said post-dated cheques are due or any payment not delivered to the Mortgagee on the date it is due before or after maturity of the mortgage.

#### RENEWAL

This mortgage/charge does not automatically renew on its expiry. However, at the expiry of the mortgage term the Mortgagee (at the mortgagee's sole option) may grant the Mortgagor a term of renewal or extension of this mortgage on such terms, as the Mortgagor and Mortgagee shall agree upon in writing. Mortgagor shall pay a renewal fee equal to the original lender's fee charged at the time of the first advance of this mortgage however where the lenders fee was less than \$750.00 there shall be minimum renewal fee of \$750.00 to the Mortgagee for each term of renewal or extension of this mortgage. On each renewal the Mortgagor shall also pay the Lenders legal fees, GST and disbursements totalling \$633.70 for the preparation and registration of a renewal agreement and shall execute such agreement at the time of said renewal. Any subsequent mortgagee shall be considered to have postponed their mortgage with regard to any change in the interest rate, principal amount or other terms of the mortgage and shall not be entitled to any notice of any change in the interest rate, principal amount or other terms of the mortgage.

Should the parties not renew the Mortgage prior to the maturity date and the balance of the principal is not paid on the maturity date of the mortgage, an additional Three Hundred and Fifty Dollar (\$350.00) charge for each month or part thereof shall be payable to the Mortgagees in addition to any interest due until the date the mortgage is paid off and discharged.

#### PAYOUT AFTER 2:00 p.m. and PAYOUT ON A FRIDAY AFTER 2:00 P.M.

PROVIDED further that there will be a charge of three (3) days' interest should payout of the within Mortgage be received on a Friday later than 2:00 p.m. Should the mortgage be paid on any weekday other than a Friday later than 2:00 p.m. then a charge of one (1) days' interest will be added to the amount required to payout of the mortgage.

#### INSURANCE DEFAULT FEE

PROVIDED further that should the mortgagor be in breach of its obligation to insure as set out in Standard Charge Terms No. 200033 the mortgagee shall, in addition to the remedies he is entitled to pursuant to Standard Charge Terms No. 200033 be entitled to charge a default fee of \$250.00 for

each notice of default received and should the mortgagee place insurance on the property the mortgagee shall be entitled to an insurance Placement fee of \$250.00 in addition to the insurance premium.

#### NOTICE OF SALE UNDER MORTGAGE OR NOTICE OF LIEN

PROVIDED further that there will be a charge of Fifteen Hundred Dollar (\$1,500.00) plus GST and disbursements to the Mortgagors for each Notice Of Sale under Mortgage received by the Mortgagee from any party whose encumbrance is in priority to this mortgage or any Municipal Work Order or Notice of Lien received under the Construction Lien Act, R.S.O. 1990, C.30, the Condominium Act 1998, S.O.1998 c. 19 or any other relevant Federal, Provincial or Municipal Act.

In addition, at the sole option of the Mortgagee, the loan amount will become payable immediately upon receipt of a Notice of Sale under Mortgage received by the Mortgagee from any party whose encumbrance is in priority to this mortgage or any Municipal Work Order or Notice of Lien received under the Construction Lien Act R.S.O. 1990, C.30, the Condominium Act 1998, S.O.1998 c. 19 or any other relevant Federal, Provincial or Municipal Act.

#### DEFAULT OF PAYMENT AND ISSUING OF NOTICE OF SALE

Upon default of any payment of interest and/or principal secured by the Charge/mortgage the principal amount secured by the Charge/mortgage shall, at the option of the Mortgagee, immediately become payable, and upon default of payment of instalments of principal promptly as the same mature, the balance of the principal and interest secured by the Charge/mortgage shall, at the option of the Mortgagee, immediately become due and payable. The Mortgagee may in writing at any time or times after default waive such default and any such waiver shall apply only to the particular default waived and shall not operate as a waiver of any other or future default. For each Notice of Sale under Mortgage issued by the Mortgagee there shall be a charge of Fifteen Hundred Dollar (\$1,500.00) by the mortgagee to the mortgagor. In addition, on the issuing of a Notice of Sale, the Mortgagee shall be entitled to collect a penalty from the Mortgagor equal to the payment of three (3) months' interest. The Mortgagee shall also be entitled to charge a monthly charge equal to any late payment charge provided for in this mortgage from the date of default until the date that the mortgagor otherwise redeems the mortgage or the date that the property is sold under Power of Sale.

In addition, for each Notice of Sale under Mortgage issued by the Mortgagee there shall be a charge of Fifteen Hundred Dollar (\$1,500.00) plus GST & Disbursements payable by the Mortgagor to the Mortgagee's lawyer for the preparation and issuing of the Notice of Sale under Mortgage. These fees shall be in addition to any legal fees or other costs associated with the mortgagee herein asserting its rights under this mortgage upon any default by the mortgagor. The Mortgagor shall also be liable for the mortgagee's legal fees, disbursements and GST on a solicitor-client basis for any steps taken after the issuing of the Notice of sale including but not limited to any negotiations, court applications, eviction proceedings, listing and sale of the property.

#### TAX/WATER STATUS INQUIRY

Should the Mortgagee, for any reason at his sole discretion, during the term of this mortgage make any inquiry as to the status of the property tax and/or local improvement rates or water account due on the property the mortgage the mortgagor shall pay the mortgagee the sum of \$200.00 plus the cost imposed by the municipality for a tax or water certificate.

#### POSTPONEMENT TO NEW FIRST CHARGE

PROVIDED that the Mortgagor(s) shall have the right from time to time to renew or replace the existing First Charge on the said lands in priority to this Mortgage/Charge upon terms satisfactory to the Mortgagor and at the then current rate of interest for First Mortgages/Charges, and the Mortgagee herein, his heirs, executors, administrators and assigns, shall execute all necessary postponement agreements provided that any increase in the principal amount of the First Mortgage/Charge shall be applied to reduce the principal hereby secured. There shall be a \$250.00 charge for each postponement plus the Mortgagee's reasonable legal fees, disbursements and GST for the preparation and registration of each postponement. Where any Mortgage/Charge in registered in priority to this Mortgage/Charge is being advanced in stages the Mortgagor shall pay the Mortgagee the sum of \$250.00 for each approval requested prior to the advance plus the Mortgagee's legal fees of \$250.00 plus GST.

#### PARTIAL ADVANCES

Should this Mortgage/Charge not be fully advanced at the time of its registration the Mortgagor shall pay the Mortgagee an inspection fee of \$300.00 for each advance and shall pay the Mortgagee's Legal fees and disbursements to sub-search the title of the property said fees amounting to approximately \$300.00 plus GST and disbursements of approximately \$75.00 plus GST. The Mortgagor acknowledges that any fees payable under this paragraph shall be deducted from the advance requested and that the Mortgagor shall be liable to repay the full amount of the advance requested despite the deduction of the fees and disbursements incurred.

#### DEFAULT LETTERS

Should the mortgagee or his solicitor be required to send the mortgagor a default letter as to any dishonoured cheque, late payment or default of any other term of this mortgage an additional fee of Three Hundred and Fifty Dollars (\$350.00) plus GST may be charged by the mortgagee and/or his solicitor for each letter sent.

#### STATEMENT FEE

PROVIDED that the Mortgagee/Chargee is required to provide a Mortgage Statement, for discharge or any other purpose, there shall be an administration fee of \$250.00 plus GST for each such Statement.

#### DISCHARGE FEE

PROVIDED that on the payment of the mortgage the Mortgagor shall pay the Mortgagee(s) legal fees and costs to prepare the discharge of Mortgage in the amount of \$350.00 plus GST and should the discharge be registered electronically the mortgagor shall be liable to pay any registration fees plus GST payable for the registration of the discharge by the Mortgagee in addition to the legal fees.

#### IMPROVEMENTS TO PROPERTY

The mortgagor warrants that the purpose of this charge is not to finance an improvement on the herein described lands. An improvement means any alteration, addition or repair to any building on the herein described lands or any construction, erection or installation of any building or other structure on the herein described lands. The mortgagee hereby expressly does not consent to any work being performed on the property that may be contemplated by the Construction Lien Act, R.S.O. 1990, CHAPTER C.30 as amended from time to time.

#### RIGHT OF INSPECTION

Should the mortgagor be in default under any term of the mortgage the mortgagee may exercise a right to enter the property at any time without notice prior to the default being cured by the mortgagor in order to inspect the property and any buildings or other structures thereon. Should the mortgagee exercise this right of inspection he shall be entitled to an inspection fee of \$300.00 per inspection.

#### TAKING OF POSSESSION

Should the Mortgagee take possession of the property as part of any default proceedings or otherwise he shall be entitled to a fee of \$500.00 for taking possession an additional fee of \$1,000.00 per day that he is in possession of the property said fee being for the mortgagee's administering, maintaining and the securing property.

#### FEES

Any fees charged by the mortgagee shall be due and payable immediately by the mortgagor. Should said charges not be paid within ten days of the mortgagee giving notice to the mortgagor of the default and the amount of the fees and other costs which are due, said fees, costs and disbursements may be added to the principal due under the mortgage and interest shall be due and payable on the said fees, costs and disbursements at the rate as set out in the mortgage from the date of the default or other event for which the fee is chargeable to the mortgagor by the mortgagee.

At the option of the Chargee the Chargee may declare this mortgage in default and the whole amount of this mortgage shall immediately become due and payable if any payment required under this section has not been made within the time period set out in the previous paragraph.

In addition to any other fees charged by the mortgagee, should the Mortgagee be a Bank or Trust Company holding this mortgage in trust for an RRSP the Mortgagor shall pay any set-up fee, annual fee or other fee charged by the Bank or Trust Company to the RRSP for administering this mortgage

#### ENVIRONMENTAL WARRANTY

The Chargor covenants, represents and warrants that no Hazardous Materials have been released into the environment, or deposited, discharged, placed, located, incorporated, or stored in, at, on, under or near the Charged Premises or any buildings, chattels or improvements thereon, and that it and its tenants have at all times received, handled, stored, treated, shipped and disposed of all Hazardous Materials in strict compliance with all applicable federal, provincial, municipal or local laws, guidelines, requirements and regulations.

For the aforesaid purposes, the term "Hazardous Materials" means:

- a. any radioactive material;
- b. urea formaldehyde foam insulation;
- c. asbestos;
- d. polychlorinated biphenyls (PCBs);
- e. any explosive;
- f. any substance that, if added to any water, would degrade or alter or form part of a process of degradation or alteration of the quality of that water to the extent that it is detrimental to its use by man or by any animal, fish or plant;
- g. any solid, liquid, gas or odour or combination of any of them that, if emitted or released into the natural environment (including the air), would create or contribute to the creation of a condition of the air that endangers the health, safety or welfare of person or persons or the health of animal life, interferes with normal enjoyment of life or property, or causes damage to plant life or to property, or is likely to cause, at some time, harm or degradation to the natural environment or risk to human health;
- h. any hazardous or toxic substance, material, waste, contaminant or pollutant;
- i. any substance declared from time to time to be hazardous, dangerous or toxic under any law, by-law, regulation or other enactment now or hereafter enacted or promulgated by any governmental authority having jurisdiction over the Chargor, the Chargee or the charged property, including but not limited to waste, hazardous or toxic materials, pollutants and contaminants as defined in or regulated by the Environmental Protection Act (or any other applicable federal, provincial, municipal or local law, guideline or regulation); or
- j. any other substance which is or may become hazardous, dangerous or toxic to persons or property.

#### RECEIVER

At any time and from time to time when there shall be default under the provisions of the Charge, the Chargee may, with or without entry into possession of the Charged Premises or any part thereof, and whether before or after such entry into possession, appoint a receiver or manager (herein called the "Receiver") of the Charged Premises or any part thereof and of the rents and profits thereof or of only the rents and profits thereof, and with or without security, and may from time to time by similar writing remove any Receiver with or without appointing another in his 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. Upon the appointment of any Receiver or Receivers from time to time, the following provisions shall apply:

- a. a statutory declaration of the Chargee as to default under the Charge shall be conclusive evidence thereof for the purposes of the appointment of a Receiver;
- b. every Receiver shall be the agent or attorney of the Chargor (whose appointment as such shall be revocable only by the Chargee) for the collection of all rents and profits falling due and becoming payable in respect of the Charged Premises or any part thereof whether in respect of any tenancies created in priority to the Charge or subsequent thereto, or otherwise;
- c. every Receiver may, in the discretion of the Chargee, be vested with all or any of the powers and discretion of the Chargee;
- d. the rights and powers conferred herein in respect of the Receiver are supplemental to and not in substitution of any rights and powers which the Chargee may have;

- e. the Chargee may from time to time fix the remuneration for every Receiver, who shall be entitled to deduct the same out of revenue or sale proceeds of the Charged Premises;
- f. every Receiver shall so far as concerns responsibility for its acts or omissions, be deemed the agent or attorney of the Chargor and in no event the agent of the Chargee;
- g. the appointment of every Receiver by the Chargee shall not incur or create any liability on the part of the Chargee to the Receiver or to the Chargor or to any other person in any respect, and such appointment or anything which may be done by any Receiver or the removal of any Receiver or the termination of any receivership shall not have the effect of constituting the Chargee a chargee or mortgagee-in-possession in respect of the Charged Premises or any part thereof;
- h. every such Receiver shall from time to time have the power to lease any portion of the Charged Premises which may become vacant, for such term and subject to such provisions as it may deem advisable or expedient, subject to the restrictions on leasing contained in any existing leases or agreements to lease affecting any of the Charged Premises, and in so doing, every Receiver shall act as the attorney or agent of the Chargor and 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 agrees to ratify and confirm whatever any Receiver may do in the Charged Premises;
- i. every Receiver may make such arrangements, at such time or times as it may deem necessary without the concurrence of any other persons, for the repairing, finishing, adding to, or putting in order of the Charged Premises, including without restricting the generality of the foregoing, completing the construction of any building or buildings, structures, services or improvements on the Charged Premises left in an unfinished state, and constructing or providing for leasehold improvements notwithstanding that the resulting cost may exceed the Adjusted Principal Amount;
- j. every Receiver shall have full power to manage, operate, amend, repair or alter the Charged Premises and the buildings and improvements thereon or any part thereof in the name of the Chargor for the purpose of obtaining rental and other income from the Charged Premises or any part thereof;
- k. no Receiver shall be liable to the Chargor to account for monies other than monies actually received by it in respect of the Charged Premises and out of such monies so received from time to time every Receiver shall, in the following order pay:
- i. its remuneration;
  - ii. all obligations, costs and expenses made or incurred by it, including but not limited to, any expenditures in connection with the management, operation, amendment, repair, construction or alteration of the Charged Premises or any part thereof;
  - iii. interest, principal and other monies which may, from time to time, be or become charged upon the Charged Premises in priority to the Charge, including all taxes;
  - iv. to the Chargee, all indebtedness, to be applied in such order as the Chargee in its discretion shall determine; and
  - v. subject to subparagraph (iv) above, at the discretion of the Receiver, interest, principal and other monies which may from time to time constitute a charge or encumbrance on the Charged Premises subsequent in priority or subordinate to the interest of the Chargee under Charge,
- and every Receiver may in its discretion retain reasonable reserves to meet accruing amounts and anticipated payments in connection with any of the foregoing and farther any surplus remaining in the hands of every Receiver, after payments made and such reasonable reserves retained as aforesaid, shall be payable to the Chargor;
- l. the Chargee may at any time and from time to time terminate any receivership by notice in writing to the Chargor and to any Receiver; and
- m. save as to monies payable to the Chargor pursuant to subparagraph (k) of this paragraph, the Chargor hereby releases and discharges the Chargee and every Receiver from every claim of every nature, whether sounding in damages for negligence or trespass or otherwise, which may arise or be caused to the Chargor or any person claiming through or under it by reason or as a result of anything done by the Chargee or any Receiver under the



provisions of this paragraph, unless such claim be the direct and proximate result of bad faith or gross neglect.

#### CONDOMINIUM OR CO-OP

In this Schedule "the Act" means the Condominium Act or similar Act governing condominiums in the province of registration (as from time to time amended or replaced) and "Condominium Corporation" means the corporation created by the registration of a Declaration under the Act.

In the event the property is a condominium unit or a unit in a Co-op form of ownership, in addition to all other provisions of this Charge, the Chargor agrees to comply with the following provisions.

- (a) The Chargor will comply with the Act and with the Declaration, by-laws and rules and regulations of the condominium corporation, as they exist from time to time.
- (b) The Chargor will pay all amounts required by the Act and by the Declaration and by-laws of the condominium corporation on or before they are due and if required by the Chargee, will provide evidence of such payment. If any such payments are not made when required, the Chargee may make such payments on behalf of the Chargor and thereafter declare the Charge to be in default.
- (c) The Chargor will mail or deliver to the Chargee, by prepaid registered mail, copies of every notice, assessment, claim or demand for payment, rule or regulation, request or demand for the Chargor to consent to any matter, and every other communication relating to the charged unit or the common elements of the condominium corporation so that they are received at least 5 days before any claim or demand is payable or response required, or in the case of other communications, within 5 days of the date they are received by the Chargor.
- (d) The Chargee is hereby authorized, whether or not the Charge is in default, to exercise the right of the Chargor under the Act to vote at any meeting of the condominium corporation, and to consent to any matter relevant to the management, sale or other dealings with the property or assets of the condominium corporation or the termination of the application of the Act to the condominium corporation.
- (e) The Chargee may elect not to exercise its right to vote or consent and may so notify the condominium corporation, in which case the Chargor may vote or consent on its own behalf. The election by the Chargee not to vote or consent can be for a limited period of time or for a particular meeting or matter. Should the Chargee exercise such right to vote or consent for the Chargor, it shall not then become a chargee in possession and shall not be responsible to protect the interest of the Chargor or for the way it shall vote or consent or for any failure to do so.
- (f) At the option of the Chargee, the loan amount will become payable immediately if:
  - (i) government of the property of the condominium corporation under the Act is terminated;
  - (ii) a vote of the unit owners authorizes the sale of the property of the condominium corporation or of a part of its common elements;
  - (iii) the condominium corporation fails to comply with the Act, Declaration, by-laws or rules and regulations;
  - (iv) the condominium corporation fails to insure the units and common elements against destruction or damage by fire and other perils usually insured against for full replacement cost; or
  - (v) the condominium corporation fails, in the opinion of the Chargee, to manage the condominium property and assets in a careful way or to maintain its assets in good repair.
- (g) In addition to the insurance maintained by the condominium corporation pursuant to the requirements of the Act, the Chargor will insure all improvements which at any time are made to the condominium unit and, as well, insure against such additional risks as may be required by the Chargee, will provide the Chargee certified copies of every such insurance policy naming the Chargee as loss payee and, not less than 5 days before any policy expires, evidence of its renewal. If any loss or damage occurs the Chargor will immediately, at its expense, do everything necessary to enable the Chargee to obtain the insurance proceeds. If permitted by law, these proceeds may, at the option of the Chargee, be applied in whole or in part to repair the damage, be paid to the Chargor, or be applied to reduce any part of the loan amount whether or not yet due. The obligation to insure the condominium building may be performed by the condominium corporation and the proceeds of insurance may be payable in the accordance with the Declaration and by-laws of the condominium corporation. Upon the occurrence of a loss or damage, the Chargor will fully comply with the terms of all insurance policies and with the insurance provisions of such Declaration and by-laws.

STANDARD CHARGE TERMS

The Mortgagor(s) acknowledges receipt and having read of a copy these terms and of Standard Charge Terms No. 200033 and acknowledges that these terms form a material part of the mortgage documentation and that they are bound by them.