

September 30, 2008

LOAN AGREEMENT

THIS AGREEMENT made the 30th day of September, 2008

B E T W E E N:

COX & CO., a corporation incorporated under the laws of the Province of Ontario
(the “**Lender**”)

- and -

BASKERVILLE INVESTMENTS INC., a corporation incorporated under the laws of the Province of Ontario
(the “**Borrower**”)

- and -

HENRY BASKERVILLE, of the City of Toronto
(“**Henry**”)

WHEREAS the parties have agreed that, upon and subject to the terms and conditions contained herein, the Lender will advance by way of loan to the Borrower, and the Borrower will borrow, the sum of \$100,000.00;

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto hereby covenant and agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 **Definition.** In this Loan Agreement, unless the context otherwise requires, the following words and phrases shall have the meanings set out below, respectively:

- (a) “**Advance**” means the advance of the Loan.
- (b) “**Business Day**” means a day other than a Saturday, Sunday or public holiday and on which banks are open for business in Toronto, Ontario.
- (c) “**Guarantee**” has the meaning ascribed thereto in Section 2.4 (b) below:
- (d) “**Loan**” has the meaning ascribed thereto in Section 2.1 below;
- (e) “**Loan Documents**” means this Loan Agreement, the Security Agreement, the Guarantee and any other documents to be executed and/or delivered to the Lender by the Borrower or its counsel and;
- (f) “**Security Agreement**” has the meaning ascribed thereto in Section 2.4 (a) below.

1.2 **Headings, etc.** The division of this Loan Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Loan Agreement.

1.3 **Number and Gender.** In this Loan Agreement words importing the singular number only shall include the plural and vice versa, words importing a specific gender shall include the other genders, and references to persons shall include individuals, partnerships, trusts, associations, unincorporated organizations and corporations.

1.4 **Currency.** All dollar amounts referred to in this Loan Agreement are in Canadian funds.

ARTICLE 2 - LOAN

2.1 **Loan.** The Lender has agreed to advance the sum of One Hundred Thousand Dollars (\$100,000.00) (the “**Loan**”) by way of loan to the Borrower upon and subject to the terms and conditions contained in this Loan Agreement.

2.2 **Repayment of Loan.** The principal amount of the Loan together with accrued interest shall be repayable on September 30, 2009.

2.3 **Interest.** The Loan shall bear interest at the rate of 8.5% per annum payable monthly in arrears commencing on the last day of the month after the date of the advance of the Loan.

2.4 **Security.** Payment of the Loan will be secured by:

- (a) a general security agreement in the form of the security agreement set out in Schedule “A” hereto (the “**Security Agreement**”); and
- (b) a guarantee from Henry in the form of the guarantee set out in Schedule “B” hereto (the “**Guarantee**”);

ARTICLE 3 - REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Lender as follows, and acknowledges and confirms that the Lender is relying on such representations and warranties in connection with the Loan:

3.1 **Corporate Status.** The Borrower was incorporated under the laws of the Province of Ontario and has not been dissolved.

3.2 **Corporate Power.** The Borrower has all requisite corporate power and capacity to own or lease its property, to carry on its business, to enter into each of the Loan Documents and to complete the transaction provided for herein.

3.3 **Corporate Authorization.** The execution and delivery of each of the Loan Documents by the Borrower and the completion of the transaction provided for herein have been duly authorized by all necessary corporate action and proceedings of the Borrower.

3.4 **No Contravention.** The execution and delivery of the Loan Documents and the performance by the Borrower of its obligations thereunder will not result in the violation of any indenture or other agreement, written or oral, to which the Borrower is a party or by which it is bound.

3.5 **Enforceability.** This Loan Agreement and the other Loan Documents have been duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, subject only to any limitation under applicable laws relating to bankruptcy, insolvency, arrangement or creditors' rights generally, and the discretion that a court may exercise in the granting of equitable remedies.

3.6 **Title of Assets.** The property and assets ("other than leased assets") of the Borrower are beneficially owned by it, with good and marketable title thereto, free and clear of any mortgages, charges, pledges, assignments, liens, security interests or encumbrances whatsoever other than those set out in Schedule "C" hereto, being permitted encumbrances.

ARTICLE 4 - COVENANTS

So long as the Loan or any part thereof remains outstanding, the Borrower covenants and agrees with the Lender as follows:

4.1 **Existence.** The Borrower will preserve and maintain its existence and its power and capacity to own or lease its property and assets and carry on its business.

4.2 **Conduct of Business.** The Borrower shall do or cause to be done all things necessary or desirable to maintain its existence, to maintain its power and capacity to own its properties

and assets, and to carry on its business in a commercially reasonable manner in accordance with normal industry standards.

4.3 **Punctual Payment.** The Borrower shall pay or cause to be paid all Obligations falling due hereunder on the dates and in the manner specified herein.

4.4 **Compliance with Applicable Law and Contracts.** The Borrower shall comply in all material respects with the requirements of all Applicable Law, and all obligations which, if contravened, could give rise to a Lien over any of the Borrower's assets, and all contracts to which it is bound, non-compliance with which would, singly or in the aggregate, have a material adverse effect upon its business or upon the ability of the Borrower to perform its obligations under any Loan Document to which it is a party.

ARTICLE 5 - CONDITIONS PRECEDENT

5.1 **Conditions of Advance.** The obligations of the Lender to make available the Advance to the Borrower are subject to compliance, with each of the following conditions precedent, which conditions precedent are for the sole and exclusive benefit of the Lender and may be waived in writing by the Lender in its sole discretion:

- (a) the representations and warranties set out in Article 5 shall be true and correct on the date of the Advance as if made on and as of such date;
- (b) the Borrower shall have delivered the Loan Documents to the Lender;
- (c) the Lender shall have received an opinion of the Borrower's counsel that the Loan Documents have been duly executed and delivered and are enforceable against the Borrower in accordance with their terms;
- (d) the Lender shall have received a certificate of insurance from the Borrower's insurer showing the Lender as just loss payee;
- (e) evidence of PPSA registration in Ontario against the Borrower in respect of the General Security Agreement;
- (f) copy of Henry's driver's licence or passport.

ARTICLE 6 - EVENTS OF DEFAULT

6.1 **Events of Default.** The occurrence of any of the following events shall constitute an Event of Default.

- (a) default by the Borrower, in payment of money to the Lender unless such default is remedied within 5 Business Days of the receipt of the notice;

- (b) default by the Borrower in the performance or observance of any covenant, condition or obligation contained in any Loan Document to which it is a party that does not require the payment of money to the Lender unless such default is remedied within 15 Business Days after notice thereof by the Lender to the Borrower;
- (c) default by the Borrower in the performance or observance of any covenant, condition or obligation contained in any agreement between the Borrower and any person, where such default gives rise to a right to enforce security against the Borrower and such security is being enforced;
- (d) the Borrower takes any action or commences any proceedings or any action or proceeding is taken or commenced by another person or persons against the Borrower in respect of the liquidation or dissolution of the Borrower and same is not contested in good faith by the Borrower;
- (e) the Borrower commits or threatens to commit any act of bankruptcy pursuant to or set out under the provisions of the *Bankruptcy and Insolvency Act*;
- (f) the filing of a petition for a receiving order against the Borrower pursuant to the provisions of the *Bankruptcy and Insolvency Act* and the same is not contested in good faith by the Borrower;
- (g) any execution, sequestration or other process of any court or other tribunal becoming enforceable against the Borrower or a distress or analogous action or proceeding being taken, commenced or issued against the Borrower;
- (h) a receiver, receiver and manager, agent liquidator or other similar administrator being appointed in respect of the assets of the Borrower or any part thereof or the taking by a secured party, lien claimant, other encumbrancer, judgment creditor or a person asserting similar rights of possession of the assets of the Borrower or any part thereof and the same is not contested in good faith by the Borrower;

6.2 **Remedies Upon Default.** Upon the occurrence of any event of Default, the Lender may:

- (a) declare all entire principle amount and interest to be immediately due and payable;
- (b) realize upon all or part of the Security; and
- (c) take such actions and commence such proceedings as may be permitted at law or in equity (whether or not provided for herein or in the Central Security Agreement) at such times and in such manner as Lender in its sole discretion may consider expedient.

ARTICLE 7 - GENERAL PROVISIONS

7.1 **Reliance and Non-Merger.** All covenants, agreements, representations and warranties of the Borrower made herein or in another Loan Document are material, shall be deemed to have been relied upon by the Lender notwithstanding any investigation heretofore or hereafter made by the Lender or any employee or other representative of the Lender and shall survive the execution and delivery of this Loan Agreement and the other Loan Documents until the Borrower shall have satisfied and performed all of the Obligations.

7.2 **Notices.** Any notice or other communication to be given hereunder to any of the parties hereto shall be in writing and may be given by delivery, or sent by facsimile or other similar means of electronic communication, or if postal services and deliveries are then operating, mailed by registered mail to such party at its address set out below or at such other address as such party may have designated by notice so given to the other parties hereto.

to the Lender, at:

Charring Cross Road
Toronto, Ontario
M5X 1B1

Facsimile no.: (416) 862-1000

to the Borrower and Henry, at:

3 Lauriston Gardens
Toronto, Ontario
M5X 1B1

Facsimile no.: (416) 862-2222

Any notice or other communication shall be deemed to have been given, if delivered, on the date of delivery, or if sent by facsimile or other similar means of electronic communication, on the Business Day next following the date of sending, or if mailed by registered mail as aforesaid, on the third Business Day following the date of the mailing if postal service and deliveries are then operating.

7.3 **Proper Law.** This Loan Agreement shall be construed in accordance with and governed in all respects by the laws of the Province of Ontario.

7.4 **Successors and Assigns.** This Loan Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

7.5 **Further Assurances.** Whether before or after the happening of an Event of Default, the Borrower shall at its own expense do, make execute or deliver, or cause to be done, made executed or delivered by other Persons, all such further acts, documents and things in

connection with the Loan and the Loan Documents as the Lender may reasonably require from time to time for the purpose of giving effect to the Loan Document including, without limitation, for the purpose of facilitating the enforcement of the Security, all immediately upon the request of Lender.

7.6 **Counterparts.** This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed to be an original and such counterparts together shall constitute one and the same Agreement.

IN WITNESS WHEREOF the parties hereto have duly executed this Loan Agreement as of the date first written above.

COX & CO.

Per: _____
Authorized Signing Officer

BASKERVILLE INVESTMENTS INC.

Per: _____
Authorized Signing Officer

Witness - Print name below

Henry Baskerville