

**IN THE MATTER OF THE RECEIVERSHIP OF
THE PROPERTY OF**

**1514904 ONTARIO LIMITED, 2000396 ONTARIO INC.,
1278502 ONTARIO INC., 1259121 ONTARIO INC.,
and ALMONTE LAND MANAGEMENT INC.**

Supplementary Report to First Report of SF Partners Inc.

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

IN THE MATTER OF SECTION 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

BETWEEN:

ROMSPEN INVESTMENT CORPORATION

Applicants

-and-

**1514904 ONTARIO LIMITED, 2000396 ONTARIO INC.,
1278502 ONTARIO INC., 1259121 ONTARIO INC.
and ALMONTE LAND MANAGEMENT INC.**

Respondents

SUPPLEMENTARY REPORT TO FIRST REPORT OF SF PARTNERS INC.**May 20, 2010****I INTRODUCTION**

1. This report is supplementary to the Receiver's First Report ("**First Report**") dated May 11, 2010.

II DISCLAIMER

2. The Receiver has relied upon the financial records and information provided by the Respondents, as well as other information supplied by management, appraisers, accountants and advisors. The Receiver assumes no responsibility or liability for loss or damages occasioned by any party as a result of the circulation, publication, re-production or use of this report. Any use which any party, other than the Court, makes of this report, or any reliance on or a decision to be made based upon it is the responsibility of such party.

III INDEPENDENCE OF RECEIVER

3. Wilson Bassile in his affidavit sworn May 13, 2010 (the "**Bassile Affidavit**") sworn May 13, 2010 suggests that the Receiver lacks independence in regard to its relationship with Romspen Investment Corporation ("**Romspen**"). The Receiver takes great exception to this suggestion which is inaccurate and without any foundation.
4. The Receiver is fully cognizant of and has at all times acted in a manner consistent with its status as an officer of the Court, with a duty to all stakeholders and with objective of achieving the maximum realizations possible for the Respondents' estates.
5. The Receiver is currently acting in fifteen separate Court-appointed receiverships before the Ontario Superior of Justice, many of which do not involve Romspen.
6. The Receiver's general approach in all of its administrations is to work with the various stakeholders, including secured lenders and shareholders, in order to obtain the optimal resolutions. This has been the case in this administration.
7. The Receiver was aware that Romspen had been negotiating with Mr. Bassile prior to the Receiver's appointment in order to achieve a refinancing of Romspen's indebtedness.

Following its appointment, efforts to reach an agreement with Mr. Bassile continued. The Receiver recognized that if such arrangements could be concluded on a timely basis, it could be advantageous for all stakeholders. As a result, the Receiver delayed initiating a sales process, in order to avoid incurring significant costs.

8. During the three months since the Receiver's appointment, unfortunately no agreement was reached with Mr. Bassile. Given the failed negotiations, the Receiver has taken steps to commence its sales process which it is authorized to do pursuant to paragraph 3(k) of the Order of the Honourable Mr. Justice Leroy dated February 3, 2010. The Receiver determined that no further delays in initiating a sales process were warranted.

IV. SALES PROCESS

9. As described in the First Report, the Receiver has obtained stalking horse bids for the Properties. The bids effectively establish a floor price for each of the Properties and provide interested parties up to July 15, 2010 to submit Competing Offers. Initiating this process does not foreclose Mr. Bassile from being a purchaser. Conversely, further delays in commencing the process, will prejudice stakeholders as interest continues to accrue on their indebtedness.
10. As described in the First Report, the Regional Group, an Ottawa-based real estate developer, expressed an interest in acquiring the Subdivision Property. To that end, Menzie Almonte Inc. ("**Menzie**") was incorporated and submitted a \$5,000,000 stalking horse bid in respect of the Subdivision Property. Menzie's bid was conditional upon Court approval by May 14, 2010 and expired when the Receiver's motion was adjourned to May 2010.
11. On the afternoon of May 20, 2010, Menzie resubmitted its bid conditional upon Court approval by May 21, 2010. A copy of Menzie's resubmitted bid and the covering email

to the Receiver which accompanied it is attached as Appendix "A" to this supplementary report.

12. As the email indicates, Menzie has advised that its arrangements with investors and builders are such that if Court approval of its bid is not granted by May 21, 2010, it cannot assure the Receiver that any further bid will be forthcoming.
13. The Receiver is extremely concerned that the risk of a further adjournment may jeopardize achieving a maximal realization of the Subdivision Property. The Receiver believes that the Regional offer is critical to the sales process.

IX. CONCLUSION

14. The Receiver recommends that the Sales Process be commenced without further delay for the following reasons:
 - The Receiver is authorized to initiate a sales process pursuant to the Appointment Order;
 - Further delay in commencing the sales process is prejudicial to the certain stakeholders and there is a potentially significant harm that may result if Menzie's offer expires on May 21, 2010;
 - The Bassile was provided ample time to make alternative arrangements with the Receiver and Romspen in respect of Romsepn;s indebtedness. There was no requirement to provide Bassile with this opportunity and delay the sales process;
 - The sales process recommended by the Receiver continues to provide Bassile with an opportunity to reacquire the Properties; and
 - The sales process recommended by the Receiver also provides the second mortgagee with an opportunity to acquire one or more of the Properties.

All of which is respectfully submitted.

Dated at Toronto, Ontario, this 20th day of May, 2010.

**SF PARTNERS INC., IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER AND MANAGER OF
1514904 ONTARIO LIMITED, 2000396 ONTARIO INC.,
1278502 ONATRIO INC., 1259121 ONTARIO INC.
and ALMONTE LAND MANGEMENT INC.**

SF Partners Inc.

Tab 1

Brahm Rosen

From: David Kardish [dkardish@regionalgroup.com]
Sent: May 20, 2010 1:21 PM
To: Brahm Rosen
Cc: 'Bram Potechin'
Subject: Amendment to Stalking Horse Offer
Attachments: Stalking Horse May 20-2010001.pdf

Importance: High

Hi Brahm,

Please find attached an amended stalking horse offer from Menzie Almonte Inc to purchase the subdivision lands.

Menzie Almonte Inc has completed all of its due diligence and is satisfied that the existing draft plan can be amended to facilitate the changes we require.

As part of our due diligence I have lined up two builders to participate in our syndication of the lands and its ultimate build out. I have also lined up several passive investors who are comfortable with the builders and their ability to move product. The builders however have been promised serviced lot delivery for the summer of 2011. In order to meet this deadline I would need clear title to the lands between late July and mid- August of this year. It was on this condition that I put in the original stalking horse offer.

If the Court does not see fit to permit the Receiver to commence the sale process within the timelines provided for in the attached offer I am fearful of running out of time. As you may be aware it will likely take me 3 months to obtain the necessary changes to the existing draft plan approval after which I will need 4 to 5 months to complete the detailed engineering drawings and obtain both municipal and MOE approvals to commence construction. I will then need at least 2 to 3 months to service the first phase of the subdivision. Under this scenario I am already looking at delivery of lots in June/July of 2011.

Failure to get the Court's approval tomorrow and move forward on the sales process in a timely manner may push this schedule beyond those dates and I risk losing the commitment from my builders that I already have. Without that commitment I am also at risk of losing my passive investors and the deal may crater. As it is imperative from my perspective to move this process along so that lots can be delivered early next summer. If Court approval is not obtained tomorrow, I cannot assure you that any further offer will forthcoming from my group.

UNCONDITIONAL OFFER TO PURCHASE (STALKING HORSE)
(Vacant Residential Zoned Lands (0178), Mississippi Mills, Ontario)

TO: SF PARTNERS INC. (the "Vendor" or "Receiver") in its capacity as Court Appointed Receiver and Manager of the assets, undertakings and properties of 2000396 Ontario Ltd. (the "Debtor") pursuant to an Order of The Honourable Mr. Justice Rick Leroy of the Superior Court of Justice, dated February 3, 2010, in Ottawa Court File No. 09-47115 (the "Order"), and not in its personal capacity.

1. Offer to Purchase

The undersigned, (being the "Purchaser"), hereby offers to purchase from and through the Vendor all of the right, title and interest in and to the Purchased Assets which the Vendor is entitled to sell the pursuant to the Order at the purchase price set out herein and upon and subject to the terms hereof.

2. Definitions

In this Offer and the Agreement arising from the acceptance hereof, the following terms have the meanings respectively ascribed to them:

"Agreement", "the Agreement" or "this Agreement" means the agreement of purchase and sale resulting from the acceptance of the Offer by the Vendor.

"Approval" in relation to the Court means the making of an appropriate Order of the Court in respect of the particular matter submitted for approval approving the action or proposed action of the Vendor on terms satisfactory to the Vendor.

"Approval and Vesting Order" means an Order to be made by the Court upon terms acceptable to the parties, acting reasonably, which, *inter alia*, (i) approves

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the Vendor having entered into this Agreement, and (ii) provides that, upon Closing, all of the Debtor's right, title and interest in the Purchased Assets shall irrevocably vest in the Purchaser or as the Purchaser may further direct, free and clear of all registered or unregistered liens, claims and encumbrances, including the registrations listed in Schedule "C" attached hereto (except for any registration in favour of a secured party which is being assumed as part of the Purchase Price);

"Auction" has the meaning ascribed thereto in Section 6(i)(ii) hereof.

"Auction Rules" has the meaning ascribed thereto in Section 6(i)(iv) hereof.

"Break Fee" has the meaning ascribed thereto in Section 6(e) hereof.

"Buildings" means the building(s) situate on the Lands (as hereinafter defined), if any, together with all other structures situate thereon, including all improvements thereto and all fixtures forming a part thereof.

"Business Day" means a day other than Saturday, Sunday or a statutory holiday or any other day upon which the Vendor is not open for the transaction of business throughout normal business hours at its principal office.

"Closing" or "Closing Date" has the meaning ascribed in Section 18 hereof.

"Competing Bid(s)" has the meaning ascribed thereto in Section 6(g) hereof.

"Court" means the Ontario Superior Court of Justice and includes a judge, master or registrar of that court and any appellate court judge having jurisdiction in any particular matter.

"Deposit" has the meaning ascribed thereto in Section 3(a) hereof.

"Environmental Laws" has the meaning ascribed thereto in Section 25 hereof.

"GST" has the meaning ascribed thereto in Section 17 hereof.

"Hazardous Substances" means any contaminant, pollutant, dangerous substance, potentially dangerous substances, noxious substance, toxic substance, hazardous waste, flammable material, explosive material, radioactive material, urea-formaldehyde foam insulation, asbestos, PCBs radiation and any other substance, material, effect, or thing declared or defined to be hazardous, toxic, a contaminant, or pollutant, in or pursuant to any Environmental Laws.

"Indemnitees" has the meaning ascribed thereto in Section 25 hereof.



"Lands" means the lands legally described in Schedule "A" attached hereto.

"Lead Bid" has the meaning ascribed thereto in Section 6(i)(iii) hereof.

"Material Documents" includes copies of all architectural drawings, site plans relating to the Real Property, existing plan of survey, if any, and operating statements for the Building to the extent that such Material Documents are in the possession of the Vendor.

"Offer", "the Offer" or "this Offer" means the offer to purchase the Purchased Assets made by the Purchaser and contained in and comprised of this document.

"Personal Property" means the personal property of the Debtor located on Real Property and described in Schedule "B", if any.

"Real Property" means collectively, the Lands and Buildings, in Mississippi Mills, Ontario.

"Purchase Price" has the meaning ascribed thereto in Section 3 hereof.

"Purchased Assets" means the Real Property and the Personal Property.

"Sales Process" has the meaning ascribed thereto in Section 6(a) hereof.

"Sales Process Order" has the meaning ascribed thereto in Section 6(a) hereof.

"Stalking Horse Bid" has the meaning ascribed thereto in Section 6(b) hereof.

"Superior Bids" has the meaning ascribed thereto in Section 6(g) hereof.

"Winning Bid" has the meaning ascribed thereto in Section 6(i)(iv)D. hereof.

"Winning Bid Agreement" has the meaning ascribed thereto in Section 6(j) hereof.

"Winning Bidder" has the meaning ascribed thereto in Section 6(j) hereof.

3. Purchase Price

The purchase price for the Purchased Assets shall be Five Million Dollars (\$5,000,000) payable in lawful money of Canada (the "Purchase Price"), subject to the adjustments hereinafter referred to, and paid by the Purchaser as follows:



- (a) a deposit (the "Deposit") which shall not be less than the sum of: (i) 10% of the first one million dollars of the Purchase Price; plus (ii) 5% of the balance of the Purchase Price in excess of one million dollars, shall be delivered with submission of this Offer by a certified cheque or bank draft drawn on an account at a Canadian chartered bank or trust company payable to the Vendor; and,
- (b) the balance of the Purchase Price for the Purchased Assets shall be paid, subject to the adjustments hereinafter referred to, to the Vendor on the Closing Date by certified cheque or bank draft payable to the Vendor (or as the Vendor may further direct) drawn on or issued by a Canadian chartered bank or trust company.

The Purchase Price shall be allocated as follows:

- (a) The Lands described in Schedule "A", and Buildings, if any:
\$5,000,000
- (b) Personal Property described in Schedule "B", if any:
\$Nil

4. Deposit

The Deposit shall be held in trust by the Vendor and shall be:

- (a) returned to the Purchaser without interest or deduction if the Vendor does not accept this Offer; or,
- (b) credited to the Purchaser with interest as an adjustment against the Purchase Price on the Closing Date if the purchase and sale of the Purchased Assets is completed pursuant to the Agreement; or,
- (c) refunded to the Purchaser, with interest and without deduction if the purchase and sale of the Purchased Assets is not completed pursuant to the Agreement, provided that the Purchaser is not in default under this Offer or under the Agreement; or,
- (d) retained by the Vendor with interest as a genuine pre-estimate of liquidated damages and not as a penalty, in addition to any other rights and remedies that the Vendor may have under this Offer, the Agreement and at law, including offering the Purchased Assets for sale to another person, if the purchase and sale of the Purchased Assets is otherwise not

completed pursuant to this Offer and the Agreement, as a result of the Purchaser's breach hereunder;

- (e) For greater certainty, the Deposit shall be returned with interest and without deduction to the Purchaser, forthwith following any of the events enumerated above where the Purchaser is to receive the Deposit, and forthwith following any circumstance in which this Agreement is terminated by court order preventing the Vendor from completing this Agreement. Further, the Deposit shall continue to be held in trust pending the closing of a successful Winning Bid Agreement, provided, however, if such Winning Bid Agreement is not completed, the Deposit shall be applied on the closing of this Agreement pursuant to section 6(l) hereof, or shall forthwith be returned to the Purchaser, with interest and without deduction, in the event the Court does not approve this Agreement as required by Section 6(l) hereof.

5. Acceptance of Offer

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The Purchaser agrees that no agreement for the purchase and sale of the Purchased Assets shall result from this Offer unless and until this Offer has been accepted by the Vendor and approved by the Court in accordance with the provisions of Section 6 hereof. The Purchaser agrees that this Offer shall be irrevocable by the Purchaser and open for acceptance by the Vendor until 5:00 o'clock p.m. (Toronto time) on May 21, 2010, after which time, if not accepted by the Vendor, this Offer shall be null and void and the Deposit shall be returned to the Purchaser in accordance with Section 4(a) hereof. Acceptance of this Offer by the Vendor may be communicated by the Vendor to the Purchaser's solicitors by telecopier or by delivering personally or sending by mail and executed counterpart of the Offer. The Vendor shall indicate the date on which it has accepted this Offer in the space provided on the execution of this Offer.

6. Sale Process

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- (a) By no later than May 21, 2010, the Vendor will move for Approval of an Order of the Court (the "Sale Process Order") which will set out the terms and conditions of, and a timetable for, a bidding, auction and sales process (the "Sale Process") with respect to the Purchased Assets. The Sale Process shall be subject to Approval.
- (b) The Sale Process Order will recognize and approve this Agreement, and in particular the Purchase Price, as a baseline or "stalking horse bid" (the "Stalking Horse Bid"), and will provide for a marketing process of the Purchased Assets by the Vendor and a competitive bidding and auction procedure to be administered by the Vendor.
- (c) The Purchaser acknowledges and agrees that the Sales Process is intended to determine whether a materially higher price than that contemplated in



the Stalking Horse Bid can be obtained for the Purchased Assets.

- (d) The Sale Process Order will further include substantially the same terms and conditions as those contained in the Terms and Conditions of Sale, a draft of which is attached as Schedule "E". The Purchaser acknowledges and agrees that in addition to the terms and conditions contained herein, it shall be bound by such terms and conditions or those that are substantially similar to those contained in the attached Terms and Conditions of Sale.
- (e) In consideration for the Purchaser's expenditure of time and money in acting as the maker of the Stalking Horse Bid and in performing due diligence in respect of the Purchased Assets and this Agreement, the Sale Process Order will provide for the Vendor paying to the Purchaser liquidated damages an amount equivalent to 4% of the Purchase Price (the "Break Fee") in the event that a materially higher amount than the Purchase Price offered by the Purchaser pursuant to the terms herein is obtained for the Purchased Assets through the Sale Process and, as a consequence, the Vendor sells the Purchased Assets to a purchaser other than the Purchaser.
- (f) The Break Fee shall be payable to the Purchaser out of the sale proceeds derived from the sale of the Purchased Assets to the ultimate purchaser provided only that the ultimate purchaser shall complete the purchase of the Purchased Assets. Each of the parties acknowledge and agree that the Break Fee represents a fair and reasonable estimate of the costs and damages which will be incurred by the Purchaser as a result of non-completion of this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Assets.
- (g) The Sale Process Orders shall also provide that in order to be accepted by the Vendor, any competing bid ("Competing Bid(s)") for the Purchased Assets must be on substantially the same terms and conditions as the terms and conditions contained in this Agreement, except with respect to price and except that any Competing Bid may provide for payment of the purchase price for the Purchased Assets entirely by certified cheque or bank draft (any Competing Bid(s) that are accepted by the Vendor as superior bid(s) to the Stalking Horse Bid are referred to herein as the "Superior Bids").
- (h) In order for any Competing Bids to be accepted by the Vendor as Superior Bids to the Stalking Horse Bid, the Competing Bid must meet all of the following minimum criteria:
 - (i) the Competing Bid must be received by the Vendor, in its entirety, by no later than 5:00 p.m. E.S.T. on July 15, 2010, failing which the Vendor will make a motion to the Court as soon as reasonably practicable in order to obtain the Approval and Vesting Order with respect to the Stalking Horse Bid;



- (ii) the Competing Bid must be accompanied by a duly executed Unconditional Offer to Purchase, black lined against the Vendor's form of Unconditional Offer to Purchase, showing any and all variations from this Agreement, and a deposit, payable by way of certified cheque or bank draft, which shall not be less than the sum of: (i) 10% of the first one million dollars of the purchase price offered pursuant to the terms of the subject Competing Bid; plus (ii) 5% of the balance of the purchase price in excess of one million dollars offered pursuant to the terms of the subject Competing Bid;
 - (iii) the Competing Bid must be irrevocable and remain open for acceptance and completion until a bid has been accepted by the Vendor following the completion Sale Process;
 - (iv) the Competing Bid must be on terms no less favourable and no more burdensome or conditional than the terms of this Agreement;
 - (v) the Competing Bid must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the bidder's obligation to close that are not otherwise contained in this Agreement;
 - (vi) the Competing Bid must be made by one or more bidders who can demonstrate, in the aggregate in the event that the Competing Bid is made by more than one bidder, the financial ability to consummate the transaction contemplated by the Competing Bid on the terms specified therein; and
 - (vii) the Competing Bid must be for a purchase price at least equal to the aggregate of the Purchase Price, the Break Fee and a minimum overbid amount of at least 1% of the Purchase Price.
- (i) The Sale Process Order will further provide that, in the event that the Vendor receives one or more Superior Bids, then on or before July 30, 2010, the Vendor will distribute to the Purchaser and the makers of the Superior Bids, the following documentation:
- (ii) an invitation to an auction of the Purchased Assets (the "Auction") to be held within five (5) business days (or such other date as the Vendor may designate) at the offices of the Vendor's lawyers, Solomon, Grosberg LLP;
 - (iii) a copy of the bid that the Vendor, acting in its sole and unfettered discretion, having regard to all of the features of the bids, considers to be the most favourable bid as between the Stalking Horse Bid and all of the Superior Bids (the "Lead Bid"); and
 - (iv) a copy of a set of rules for the conduct of the Auction, established

by the Vendor, acting in its sole and unfettered discretion, with a view of maximizing the purchase price for the Property (the "Auction Rules"). The Auction Rules will provide, *inter alia*, that:

- A. all bids made at the Auction shall be in accordance with the terms and conditions of the Lead Bid, except for the aggregate purchase price which will be subject to improvement through bidding in the Auction;
 - B. each bid made in the course of the Auction shall exceed the aggregate purchase price payable pursuant to the preceding bid (or, in the case of the first bid made at the Auction, the Lead Bid) by no less than 1% of the Purchase Price solely for the purpose of determining the successful bid at the Auction;
 - C. any bid made by the Purchaser at the Auction shall have added to it the Break Fee; and,
 - D. the highest bid received at the Auction shall be the "winning bid" (the "Winning Bid").
- (j) Upon acceptance of the Winning Bid at the Auction, there shall be a binding agreement of purchase and sale between the successful winning bidder (the "Winning Bidder") and the Vendor (the "Winning Bid Agreement"). The Winning Bid Agreement shall be constituted by:
- (i) this Agreement or the agreement of purchase and sale submitted to the Vendor by the Winning Bidder, as the case may be, and as amended pursuant to the Auction;
 - (ii) the Terms and Conditions of Sale; and,
 - (iii) the acceptance of the Winning Bid.
- (k) Thereafter, the Vendor will make a motion to the Court as soon as reasonably practicable in order to obtain the Approval and Vesting Order with respect to the Stalking Horse Bid or the Winning Bid, as the case may be.
- (l) In the event that the purchase and sale transaction arises from the Winning Bid shall fail to complete, the Vendor will make a motion to the Court as soon as reasonably practicable in order to obtain the Approval and Vesting Order with respect to the Stalking Horse Bid.

7. Capacity of Receiver



The Vendor, by acceptance of the Offer, is entering into the Agreement solely in its capacity as the court appointed Receiver and Manager of the assets, undertakings and properties of the Debtor, and not in its personal or any other capacity. Any claim against the Receiver shall be limited to and only enforceable against the property and assets then held by or available to it in its said capacity as Receiver and shall not apply to its personal property and assets held by it in any other capacity. The Vendor shall have no personal or corporate liability of any kind, whether in contract or in tort or otherwise. The term "Vendor" as used in this Agreement shall have no inference or reference to the present registered owner of the Purchased Assets.

8. Adjustments

The Purchase Price for the Purchased Assets shall be adjusted as of the Closing Date in respect of realty taxes, flat/fixed water and sewer rates and charges, if any, and all other items usually adjusted with respect to properties similar to the Purchased Assets. Such adjustments shall be pro-rated where appropriate for the relevant period on the basis of the actual number of days elapsed during such period to the Closing Date itself to be apportioned to the Purchaser.

9. Termination of Agreement

Notwithstanding anything to the contrary contained in this Agreement, if at any time or times prior to the Closing Date, the Vendor is unable to complete this Agreement as a result of any action taken by an encumbrancer, any action taken by the present registered owner, the refusal by the present registered owner, to take any action, the exercise of any right by the present registered owner or other party which is not terminated upon acceptance of this Agreement, a certificate of pending litigation is registered against the Real Property, a court judgment or order is made, or, if the Purchaser submits valid title requisition which the Vendor is unable or unwilling to satisfy prior to Closing, or if the sale of the Purchased Assets is restrained at any time by a court of competent jurisdiction, or if the Real Property is occupied by the owner of the Purchased Assets and the Vendor is unable to provide vacant possession on Closing Day, the Vendor may, in its sole and unfettered discretion, elect by written notice to the Purchaser, to terminate this Agreement, whereupon the Deposit and any interest earned thereon shall be returned to the Purchaser, and neither party shall have any further rights or liabilities hereunder.



The obligation of the Vendor to complete the Agreement is subject to the satisfaction of the following terms and conditions on or prior to the Closing Date, which conditions are for the sole benefit of the Vendor and which may be waived by the Vendor in its sole discretion:


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- (a) the representations and warranties of the Purchaser herein are true and accurate as of the Closing Date;
- (b) no action or proceeding at law or in equity shall be pending or threatened by any person, firm, government, government authority, regulatory body or agency to enjoin, restrict or prohibit the purchase and sale of the Purchased Assets;
- (c) the Purchased Assets shall not have been removed from the control of the Vendor by any means or process;
- (d) no party shall take any action to redeem the Purchased Assets;
- (f) the Court shall have granted the Sale Process Order in accordance with and containing substantially the same terms set out in Section 6 above;
- (g) the Purchaser shall have emerged as the Winning Bidder in the Sale Process; and,
- (h) the Court shall have granted the Approval and Vesting Order.

10. Purchaser's Acknowledgements

The Purchaser hereby acknowledges and agrees with and to be subject to the following:

- (a) it is responsible for conducting its own searches and investigations of the current and past uses of the Purchased Assets;
 - (b) the Vendor makes no representation or warranty of any kind that the present use or future intended use by the Purchaser of the Purchased Assets is or will be lawful or permitted;
 - (c) it is satisfied with the Purchased Assets and all matters and things connected therewith or in any way related thereto;
 - (d) it is relying entirely upon its own investigations and inspections in entering into this Agreement;
 - (e) it is purchasing the Purchased Assets on an "as is, where is" and "without recourse" basis including without limitation, outstanding work orders, deficiency notices, compliance, requests, development fees, imposts, lot levies, sewer charges, zoning and building code violations and any outstanding requirements which have been or may be issued by any governmental authority having jurisdiction over the Purchased Assets;
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- (f) it relies entirely on its own judgment, inspection and investigation of Purchased Assets and any documentation relating to the Purchased Assets obtained from the Vendor has been prepared or collected solely for the convenience of prospective purchasers and is not warranted to be complete or accurate and is not part of this Offer;
 - (g) it will provide the Vendor with all requisite information and materials, including proof respecting source or funds, at any time or times within forty-eight (48) hours of request by the Vendor so that the Vendor may determine the credit worthiness of the Purchaser and any related parties thereto;
 - (h) the Vendor shall have no liability or obligation with respect to the value, state or condition of the Purchased Assets, whether or not the matter is within the knowledge or imputed knowledge of the Vendor, its officers, employees, directors, agents, representations and contractors;
 - (i) the Vendor has made no representations or warranties with respect to or in any way related to the Real Property, including without limitation, the following: (i) the title, quality, quantity, marketability, zoning, fitness for any purpose, state, condition, encumbrances, description, present or future use, value, location or any other matter or thing whatsoever related to the Real Property, either stated or implied; and (ii) the environmental state of the Property, the existence, nature, kind, state or identity of any Hazardous Substances on, under, or about the Real Property, the existence, state, nature, kind, identity, extent and effect of any administrative order, control order, stop order, compliance order or any other orders, proceedings or actions under the *Environmental Protection Act* (Ontario), or any other statute, regulation, rule or provision of law now the existence, state, nature, kind, identity, extent and effect of any liability to fulfill any obligation to compensate any third party for any costs incurred in connection with or damages suffered as a result of any discharge of any Hazardous Substances whether on, under or about the Real Property or elsewhere;
 - (j) the Material Documents are being provided to the Purchaser merely as a courtesy and without any representations or warranties whatsoever; and,
 - (k) it will ensure that any environmental and/or structural reports on behalf of the Purchaser shall also be addressed to the Vendor and a copy of each such report shall be delivered to the Vendor promptly after the completion thereof, regardless of whether the transaction contemplated by this Offer closes. If for any reason such transaction is not consummated, the Purchaser agrees to deliver promptly to the Vendor any and all reports and other data pertaining to the Purchased Assets and any inspections or examinations conducted hereunder.
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11. Title to the Purchased Assets

Provided that the title to the Real Property is good and free from all restrictions, charges, liens, claims and encumbrances, except as otherwise specifically provided in this Agreement, and save and except for:

- (a) all laws, by-laws and regulations and all outstanding work orders, deficiency notices and notices of violation affecting the Property;
- (b) any minor easements for the supply of utility services or other services to the Property or adjacent properties which do not materially adversely impact on the developability of the Property;
- (c) encroachments disclosed by any error or omission in existing surveys of the Property or neighbouring properties and any title defects, encroachment or breach of a zoning or building by-law or any other applicable law, by-law or regulation which might be disclosed by a more up-to-date survey of the Property and survey of the Property and survey matters generally;
- (d) the exceptions and qualifications set forth in the *Registry Act* (Ontario) or the *Land Titles Act* (Ontario), or amendments thereto;
- (e) any reservation(s) contained in the original grant from Crown;
- (f) subsection 44(1) of the *Land Titles Act* (Ontario) except paragraphs 11 and 14;
- (g) the rights of any person who would, but for the *Land Titles Act* (Ontario) be entitled to the Lands or any part of it through length of adverse possession, prescription, misdescription or boundaries settled by convention;
- (i) any lease to which the subsection 70(2) of the *Registry Act* (Ontario) applies;
- (j) The interests set out in the Property Description for the Property PIN;
- (k) Registration No. 26R1435 registered 1981/09/30 - Plan Reference; and,
- (l) Registration No. LC86047 registered 2009/05/06 - Transfer of Easement in favour of Rogers Cable Communications Inc.;

and as those registrations are set out in Schedule "D" attached hereto.

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Notwithstanding the foregoing, the Vesting Order shall provide for the deletion of the instruments or registrations set out in Schedule "C" attached hereto (except for any registration in favour of a secured party which is being assumed as part of the Purchase Price), and for the deletion of any filings under the *Personal Property Security Act* (Ontario), as they affect the Purchased Assets.

12. Authorizations

The Purchaser shall assume, at its cost, complete responsibility for compliance with all municipal, provincial and federal laws insofar as the same apply to the Purchased Assets and the use thereof by the Purchaser. It shall be the Purchaser's sole responsibility to obtain, and pay the cost of obtaining any consents, permits, licenses or other authorizations necessary or desirable for the transfer to the Purchaser of the Vendor's right, title and interest, if any, in the Purchased Assets. For greater certainty, any costs of the Vendor incurred in connection with obtaining the Approval and Vesting Order shall not be borne by the Purchaser.

13. Requisition Period

The Purchaser shall be allowed twenty (20) days from the date of acceptance of the Offer by the Vendor to investigate the title to the Purchased Assets and to satisfy itself that all present uses are the legal uses thereof or legal nonconforming uses which may be continued and that the Purchased Assets may be insured against usual insurable risks, at the Purchaser's own expense. If within such time the Purchaser shall furnish the Vendor in writing with any valid objection to title to the Purchased Assets, which the Vendor is unable or unwilling to remove, remedy or satisfy and which the Purchaser will not waive, then the Agreement shall be terminated, the Deposit and any interest earned thereon shall be returned to the Purchaser and neither party shall have any further rights or liabilities hereunder. Save as to any valid objection made as aforesaid or which the law allows to be made and is made after expiry of the aforesaid period, the Purchaser shall be conclusively deemed to have accepted the title to the Purchased Assets to be vested in the Purchaser on Closing in accordance with the Agreement, and to have accepted the Purchased Assets subject to all applicable laws, by-laws, regulations, easements and covenants affecting its use and the Purchaser shall assume responsibility from and after the Closing Date for compliance therewith. The Purchaser shall not call for the production of any title deed, abstract, survey or other evidence of title to the Lands, except as are in the control or possession of the Vendor. The Vendor shall not be required to produce any other document or report to the Purchaser, unless it is expressly provided for by this Agreement. The description of the Purchased Assets is believed by the Vendor to be correct but, if any statement, error or omission shall be found in the particulars thereof, the same shall not cancel the sale or entitle the Purchaser to be relieved of any obligation hereunder, nor shall any compensation be allowed to the Purchaser in respect thereof.

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14. Risk of Loss

All buildings on the Real Property and all other things being purchased shall be and remain until completion at the risk of the Vendor. The Purchased Assets shall thereafter be at the risk of the Purchaser. Pending completion, the Vendor shall hold all insurance policies, if any, and the proceeds thereof in trust for the parties as their interest may appear and in the event of substantial damage to the Purchased Assets before the completion of the Agreement which damage gives rise to any insurance proceeds, the Purchaser may either terminate this Agreement and have the Deposit returned with interest or deduction or else take the proceeds of insurance and complete the transaction. Where any damage is not substantial, the Purchaser shall be obliged to complete the Agreement and be entitled to the proceeds of insurance referenced to such damage. The Purchaser agrees that all the insurance maintained by the Vendor shall be cancelled on the Closing Date and that the Purchaser shall be responsible for placing its own insurance thereafter.

15. Planning Act

This Agreement is subject to the express condition that if the provisions of Section 50 of the *Planning Act* (Ontario) apply to the sale and purchase of the Real Property, then this Agreement shall be effective to create an interest in the Real Property only if such provision is complied with.

16. Goods and Services Tax and Harmonized Sales Tax



The Purchaser hereby represents and warrants to the Vendor that it is or will become registered for the purposes of Part IX of the *Excise Tax Act* (Canada) in accordance with the requirements of Subdivision (d) of Division V thereof and it will continue to be so registered as of the Closing Date. The Purchaser covenants to deliver to the Vendor drafts not less than five (5) days before the Closing Date and originals upon Closing of: (i) a true copy of the certificate evidencing its registration for purposes of the goods and services tax ("GST"), including the registration number assigned to it; and (ii) a declaration and indemnity of the Purchaser confirming the accuracy, as at Closing, of the representations and warranties set out herein and agreeing to indemnify the Vendor for any amounts for which the Vendor may become liable as a result of any failure by the Purchaser to pay the GST payable in respect of the sale of the Purchased Assets under Part IX of the *Excise Tax Act* (Canada) and that the Purchaser is buying for its own account and not as trustee or agent for any other party. Provided that the Purchaser delivers a true copy of the certificate and the declaration and indemnity as set out above, the Purchaser shall not be required to pay to the Vendor, nor shall the Vendor be required to collect from the Purchaser, the GST in respect of the Purchased Assets. In the event that the Purchaser shall fail to deliver the true copy of the certificate and the declaration and indemnity as set out above, then the

Purchaser shall pay to the Vendor, in addition to the Purchase Price, in pursuance of the Purchaser's obligation to pay and the Vendor's obligation to collect GST under the provisions of the *Excise Tax Act* (Canada), an amount equal to five (5%) percent of the Purchase Price, or such rate due and owing at the time of Closing.

The Purchaser acknowledges that the Government of Ontario has announced its intention to harmonize Ontario retail sales tax with the GST ("HST"). The Purchaser agrees that the HST, including the provincial portion thereof, applies to this transaction and the Purchase Price does not include the applicable portion of the HST. The Purchaser covenants and agrees to pay to the Vendor on the Closing Date, in addition to the Purchase Price, the amount that the HST exceeds the GST should the Purchaser fail to provide to the Vendor on the Closing Date such evidence as may be required by the Vendor, in the Vendor's sole and absolute discretion, to satisfy the Vendor that the Vendor is not obligated to collect HST from the Purchaser on the Closing Date.

17. Closing

Closing shall take place on the date which is ten (10) days following the issuance of the Approval and Vesting Order, or such earlier date as the parties or their respective solicitors may actually agree upon in writing (the "Closing Date" or "Closing"). Provided that the Vendor by written notice to the Purchaser or its solicitors may postpone the Closing Date from time to time, but in no event shall the date of Closing be postponed to a date more than sixty (60) days after the original Closing Date. The Vendor and the Purchaser acknowledge that the Teraview Electronic Registration System ("TERS") is operative and mandatory in the Land Titles Division for the Land Registry Office of Lanark (No. 27). The Purchaser and Vendor shall each retain legal counsel who are authorized TERS users and who are in good standing with The Law Society of Upper Canada. The Vendor and Purchaser shall each authorize their respective legal counsel to enter into a document registration agreement in the form as adopted by the joint LSUC-CBAO Committee of documents and closing funds and the release thereof to the Vendor and Purchaser, as the case may be:

- (a) shall not occur contemporaneously with the registration of the Transfer/Deed of Land or Application to Register the Vesting Order, and Receiver's certificate required by the Order (and other registerable documentation, if any) to be registered by the Purchaser's solicitor; and,
 - (b) shall be governed by the document registration agreement pursuant to which legal counsel receiving any documents or funds will be required to hold same in escrow and will not be entitled to release except in strict accordance with provisions of the document registration agreement and the Purchaser shall be required to deliver the balance due on closing on the Closing Date to the Vendor's solicitors, to be held in escrow by them, whereupon the Vendor's solicitors shall after payment forthwith attend to
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have the signed Receiver's Certificate filed with the Court, which signed and entered Receiver's Certificate and Vesting Order shall form part of the Application - Vesting Order, and which shall be delivered by the Vendor's solicitors to the Purchaser's solicitors for immediate registration by the Purchaser's solicitors. Upon registration of the Application - Vesting Order, the Vendor shall release possession of the Purchased Assets to the Purchaser and the balance due on closing shall be released from escrow.

18. Vendor's Closing Deliveries

The Vendor shall execute and deliver or cause to be executed and delivered to the Purchaser on the Closing Date, against payment of the Purchase Price, the following:

- (a) a statement of adjustments;
- (b) a direction for the payment of the balance of the Purchase Price due on Closing;
- (c) an undertaking by the Vendor to readjust all items on the statement of adjustments within sixty (60) days from the date of Closing on written demand;
- (d) a certificate of the Vendor to the effect that it is not at the Closing Date a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act*;
- (e) a copy of the Approval and Vesting Order;
- (f) keys that may be in the possession of the Vendor;
- (g) all Material Documents, if not already in the possession of the Purchaser; and,
- (h) any other documents relative to the completion of this Agreement as may reasonably be required by the Purchaser or its solicitors.

19. Purchaser's Closing Deliveries

The Purchaser shall execute and deliver to the Vendor on the Closing Date the following:

- (a) certified cheques or bank drafts of a Canadian chartered bank or trust company for the balance of the Purchase Price and any other monies required to be paid by the Purchaser pursuant to the Agreement, or the

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adjustments, including all applicable federal and provincial taxes, duties and registration fees unless the applicable exemption certificates in a form acceptable to the Vendor are presented to the Vendor on or before the Closing Date to exempt the Purchaser therefrom;

- (b) all certificates, indemnities, declarations and other evidences contemplated hereby in form and content satisfactory to the Vendor's solicitors, acting reasonably;
- (c) an undertaking by the Purchaser to readjust all items on the statement of adjustments within 60 days of the Closing Date;
- (d) a true copy of its GST registration and G.S.T. certificate and indemnity as required pursuant to this Agreement;
- (e) any other documents relative to the completion of this Agreement as may reasonably be required by the Vendor or its solicitors.

20. Inspection

Without limitation, all of the Purchased Assets shall be as they exist on the Closing Date with no adjustments to be allowed to the Purchaser for changes in conditions or qualities from the date hereof to the Closing Date. The Purchaser acknowledges and agrees that the Vendor is not required to inspect the Purchased Assets or any part thereof and the Purchaser shall be deemed, at its own expense to have relied entirely on its own inspection and investigation. The Purchaser acknowledges that no warranties or conditions, expressed or implied, pursuant to the *Sale of Goods Act (Ontario)* or similar legislation in other jurisdictions apply hereto and all of the same are hereby waived by the Purchaser.

21. Encroachments

The Purchaser agrees that the Vendor shall not be responsible for any matters relating to encroachments on or to the Real Property, or encroachments of the Real Property onto adjoining lands, or to remove same, or for any matters relating to any applicable zoning regulations or by-laws in existence now or in the future affecting the Real Property.

22. Purchaser's Warranties

The Purchaser represents and warrants that:

- (a) if applicable, it is a corporation duly incorporated, organized and subsisting under the laws of Canada, Ontario or another province of Canada;

- (b) if applicable, it has the corporate power and authority to enter into and perform its obligations under the Agreement of Purchase and Sale and all necessary actions and approvals have been taken or obtained by the Purchaser to authorize the creation, execution, delivery and performance of the offer and resulting Agreement of Purchase and Sale and the offer has been duly executed and delivered by the Purchaser, and the resulting Agreement of Purchase and Sale is enforceable against the Purchaser in accordance with its terms; and,
- (c) it is not a non-Canadian for the purpose of the *Investment Canada Act* (Canada) and it is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada).

23. Confidentiality

The Purchaser agrees that all information and documents supplied by the Vendor or anyone on its behalf to the Purchaser or anyone on the Purchaser's behalf (including but not limited to information in the schedules hereto) shall, unless and until Closing occurs, be received and kept by the Purchaser and anyone acting on the Purchaser's behalf on a confidential basis and shall not without the Vendor's prior written consent be disclosed to any third party. If for any reason Closing does not occur, all such documents (including without limitation, the Material Documents) shall forthwith be returned intact to the Vendor and no copies or details thereof shall be retained by the Purchaser or anyone acting on its behalf. The Purchaser further agrees that unless and until the terms of this Offer and the Agreement become public knowledge in connection with an application to the Court for Approval of the Agreement, the Purchaser shall keep such terms confidential and shall not disclose the same to anyone except the Purchaser's prospective syndicate members, solicitors, agents or lenders acting in connection herewith and then only on the basis that such persons also keep such terms confidential as aforesaid.

24. Indemnification

The Purchaser shall indemnify and save harmless the Vendor and its directors, officers, employees and agents (collectively, the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, notices, judgments, suits, claims, demands, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Indemnitees or any of them arising out of or in connection with the operations of the Purchaser on the Real Property or any order, notice, directive, or requirement under, or breaches, violations or non-compliance with any Environmental Laws after the Closing Date or as a result of the disposal, storage, release or threat of release or spill on or about the Real Property of any Hazardous Substance after the Closing Date. For the purposes of the foregoing, "Environmental Laws" shall mean all requirements under or prescribed by

common law and all federal, provincial, regional, municipal and local laws, rules, statutes, ordinances, regulations, guidelines, directives, notices and orders from time to time with respect to the discharge, generation, removal, storage or handling of any Hazardous Substance. The obligation of the Purchaser hereunder shall survive the Closing Date.

The Purchaser shall indemnify the Vendor and save harmless the Indemnitees from and against any and all liabilities, obligations, losses, damages, penalties, notices, judgments, suits, claims, demands, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Indemnitees or any of them arising out of or in connection with the failure of the Purchaser to pay any taxes, duties, fees and like charges exigible in connection with the Offer or Agreement. It shall be the Purchaser's sole responsibility to obtain, and pay the cost of obtaining, any consents, permits, licenses or other authorizations necessary or desirable for the transfer to the Purchaser of the Real Property. For greater certainty, any costs of the Vendor incurred in connection with obtaining the Approval and Vesting Order shall not be borne by the Purchaser.

25. Release

The Purchaser agrees to release and discharge the Vendor together with its officers, employees, agents and representatives from every claim of any kind that the Purchaser may make, suffer, sustain or incur in regard to any Hazardous Substance relating to the Real Property. The Purchaser further agrees that the Purchaser will not, directly or indirectly, attempt to compel the Vendor to clean up or remove or pay for the cleanup or removal of any Hazardous Substance, remediate any condition or matter in, on, under or in the vicinity of the Real Property or seek an abatement in the Purchase Price or damages in connection with any Hazardous Substance. This provision shall not expire with, or be terminated or extinguished by or merged in the Closing of the transaction of purchase and sale, contemplated by this Offer and the Agreement, and shall survive the termination of this Offer and the Agreement for any reason or cause whatsoever and the closing of this transaction.

26. Non-Registration

The Purchaser hereby covenants and agrees not to register this Offer or the Agreement or notice of this Offer or the Agreement or a caution, certificate of pending litigation, or any other document providing evidence of this Offer or the Agreement against title to the Purchased Assets. Should the Purchaser be in default of its obligations under this Section, the Vendor may (as agent and attorney of the Purchaser) cause the removal of such notice of this Offer or the Agreement, caution, certificate of pending litigation or other document providing evidence of this Offer or the Agreement or any assignment of this Offer or the Agreement from the title to the Purchased Assets. The Purchaser irrevocably

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nominates, constitutes and appoints the Vendor as its agent and attorney in fact and in law to cause the removal of such notice of this Offer or the Agreement, any caution, certificate of pending litigation or any other document or instrument whatsoever from title to the Purchased Assets.

27. Assignment

Save and except for the completion of this transaction by a company to be incorporated by the Purchaser, the Purchaser shall not have the right to assign its rights under this Agreement without the Vendor's prior written consent, which consent may be unreasonably withheld. Notice of the Purchaser's intention to assign, with the assignee's name and address for service and the assignee's GST number shall be provided to the Vendor not less than seven (7) days prior to the Closing Date.

The Purchaser acknowledges that an assignment of the Agreement shall not relieve the Purchaser of its covenants and obligations under this Agreement until the closing of the transaction contemplated under this Agreement has been successfully completed.

28. Notices

Any notice to be given or document to be delivered to the parties pursuant to this Agreement shall be sufficient if delivered personally or sent by telecopier or mailed by prepaid registered mail at the following addresses:

To Vendor:

SF Partners Inc.
4950 Yonge Street
4th Floor
Toronto, Ontario,
M2N 6K1

Attention: Brahm Rosen
Telecopier: 416.250.1225

with a copy to:

Solomon, Grosberg LLP
Barristers & Solicitors
55 University Avenue,
Suite 1704
Toronto, Ontario
M5H 2H7

Attention: Mr. David Preger
and Mr. Raymond Grosberg
Telecopier: 416.366.3513

and in the case of a notice to the Purchaser, to:

c/o The Regional Group
2nd Floor, 1737 Woodward Drive
Ottawa, Ontario
K2C 0P9

Attention: Mr. David Kardish
Telecopier: 613.230.2962

with a copy to the Purchaser's solicitors:

Law Office of Merovitz · Potchin LLP
301 - 200 Catherine Street,
Ottawa, Ontario
K2P 2K9

Attention: Mr. Bram Potchin
Telecopier: 613.563.4577

Any written notice or delivery of documents given in this manner shall be deemed to have been given and received on the day of delivery if delivered personally or sent by facsimile or, if mailed, three days after the deposit with the post office.

29. Entire Agreement

The Agreement shall constitute the entire agreement between the parties to it pertaining to the subject matter thereof and shall supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there shall be no agreements or understandings between the parties in connection with the subject matter thereof except as specifically set forth herein. No party hereto has relied on any express or implied representation, written or oral, of any individual or entity as an inducement to enter into the Agreement.

30. Amendment

No supplement, modification, waiver or termination of the Agreement shall be binding, unless executed in writing by the parties to be bound thereby, provided that the time provided for doing any matter or thing contemplated herein may be

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abridged or extended by written agreement, in letter form or otherwise, executed by the duly authorized solicitors for the parties.

31. Time of Essence

Time shall be of the essence in this Agreement in all respects and any waiver of any time provision shall not be effective unless in writing and signed by both parties.

32. Binding Agreement

This Offer, when accepted, shall constitute a binding agreement of purchase and sale subject to its terms. It is agreed that there is no representation, warranty, collateral agreement or condition affecting the Agreement or the Purchased Assets supported hereby other than as expressed herein in writing.

33. Governing Law

This Offer and the Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

34. Gender, Interpretive Matters

This Offer and the Agreement shall be read with all changes of gender or number required by the context. The titles to provisions do not form part of this Offer or the Agreement and are inserted for reference purposes only. Preparation and submission of the form of this Offer or any other material by the Vendor shall not constitute an offer to sell.

35. Severability

Any provision of this Agreement which is determined to be void, prohibited or unenforceable shall be severable to the extent of such avoidance, prohibition or unenforceability without invalidating or otherwise limiting or impairing the other provisions of this Agreement.

36. Non-Merger

The provisions of this Agreement (including, without limitation, the representations and warranties of the Purchaser), shall survive Closing and shall not merge in the Vesting Order or in any other documents delivered hereunder.

37. Counterparts

The parties hereto agree that this Agreement may be executed in counterparts and by facsimile transmission and each such counterpart so executed by facsimile



transmission shall be deemed to be an original and when taken together shall constitute as one and the same Agreement.

38. Nominee

The Vendor acknowledges and agrees that, the Purchaser is a nominee on behalf of parties having a beneficial interest in the acquisition of, or the ownership of the Purchased Assets, and such parties shall have no liability whatsoever pursuant to or arising out of this Agreement.

IN WITNESS WHEREOF the Purchaser has executed this Offer this ^{20th} 15th day of May, 2010.

MEKENS AT MO
Per: 

Name: David Kardish
Title: Director

I have authority to bind the Corporation

Subject to the Approval of the Court, the undersigned hereby accepts the foregoing Offer this ^{20th} 15th day of May, 2010.

SF PARTNERS INC.
in its capacity as Court Appointed Receiver
and Manager of the assets, undertakings and
properties of 2000396 Ontario Inc. and not
in its personal or corporate capacity

Telephone: (416) 250-1212
Telecopier: (416) 250-1223
E-mail: hrm@sfgroup.ca

Per: 

Name: BRIAN ROSEN
Title: V.P.

I have authority to bind the Corporation.



SCHEDULE "A"

DESCRIPTION OF LANDS

PART LOT 16 CON 10 RAMSAY BEING PART 1 ON 26R1345 EXCEPT 26R3116, 26R2618, 27R8990 AND 27R9497; S/T EASEMENT OVER PART 1 PLAN 26R1345, EXCEPT 26R3116, 26R2618 AND 27R8990 IN FAVOUR OF ROGERS CABLE COMMUNICATIONS INC. AS IN LC86047. TOWN OF MISSISSIPPI MILLS

Being all of PIN 05089-0178 (LT)

municipally known as VACANT RESIDENTIAL ZONED LOT, Mississippi Mills, Ontario.

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SCHEDULE "B"
PERSONAL PROPERTY

Nil.

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SCHEDULE "C"

REGISTRATIONS TO BE DELETED FROM PIN 05089-0178 (LT)

1. Registration No. LC4304 registered 2003/05/22 -- Transfer Personal Representative to 2000396 Ontario Inc.
2. Registration No. LC43644 registered 2006/02/22 - Charge to 1067278 Ontario Inc.
3. Registration No. LC49133 registered 2006/07/18 -- Charge to Romspen Investment Corporation
4. Registration No. LC49134 registered 2006/07/18 -- Notice of Assignment Rent General to Romspen Investment Corporation
5. Registration No. LC49135 registered 2006/07/18 - Postponement in favour of Romspen Investment Corporation
6. Registration No. LCS7411 registered 2007/03/01 -- Notice in favour of 1067278 Ontario Inc.
7. Registration No. LC59560 registered 2007/05/07 -- Notice in favour of Romspen Investment Corporation
8. Registration No. LC60803 registered 2007/06/08 -- Notice in favour of 1067278 Ontario Inc.
9. Registration No. LC76527 registered 2008/07/30 -- Notice in favour of 1067278 Ontario Ltd.

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SCHEDULE "D"

REGISTRATIONS TO BE PERMITTED ON PIN 05089-0178 (LT)

1. The interests set out in the Property Description for the above PIN
2. Registration No. 26R1435 registered 1981/09/30 - Plan Reference
3. Registration No. LC86047 registered 2009/05/06 - Transfer of Easement in favour of Rogers Cable Communications Inc.

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SCHEDULE "E"

TERMS AND CONDITIONS OF SALE

1. THE VENDOR

1.1 SF Partners Inc., solely in its capacity as Court-appointed Receiver (the "Receiver" and/or the "Vendor") of the current and future assets, undertakings and properties of 2000396 ONTARIO INC. of every nature and kind whatsoever, and wherever situate (collectively, the "Assets"), is offering for sale by bid and auction all of the Assets. A description of the Assets for sale is outlined on Schedule "A" attached hereto.

1.2 The Receiver has obtained an Order of the Ontario Superior Court of Justice (Commercial List) dated May _____, 2010 (the "Sale Process Order") which set out, *inter alia*, the terms, conditions of sale and a timetable for bidding and an auction with respect to the purchase and sale of the Assets (the "Sale Process"), as further outlined below (a copy of the Sale Process Order is attached hereto as Schedule "B").

2. THE SALE PROCESS

2.1 The Sale Process Order recognizes the initial bid from _____ ("PURCHASECO"). The initial bid by PURCHASECO is contained in an Agreement of Purchase and Sale dated as of _____, 2010, executed by the Receiver and PURCHASECO (the "Agreement of Purchase and Sale") (a copy of the Agreement of Purchase and Sale is attached hereto as Schedule "C") as a baseline or "stalking horse bid" (the "Stalking Horse Bid"), in the amount of \$_____ subject to adjustment, plus any and all retail sales taxes (including any goods and services taxes) and all other transfer taxes, duties or other like charges payable upon or in connection with the subject transaction (collectively, the "Taxes").

2.2 The Sale Process Order provides for, *inter alia*, the marketing and sale of

the Assets by the Receiver and a competitive bidding and auction procedure, to be administered by the Receiver, in order to determine if a materially higher price (compared to the Stalking Horse Bid) can be obtained for the sale of the Assets.

2.3 In consideration for PURCHASECO's expenditure of time and money in acting as the initial bidder in the Stalking Horse Bid and the preparation of the Agreement of Purchase and Sale, and in performing due diligence pursuant to the Agreement of Purchase and Sale, the Sale Process Orders provide for liquidated damages in an amount equivalent to 4% of the purchase price payable under the agreement of purchase and sale (the "Break-Up Fee"), payable by the Vendor to PURCHASECO in the event that a materially higher offer than the offer advanced by PURCHASECO pursuant to the Stalking Horse Bid is obtained for the Assets through the Sale Process and, as a consequence, the Vendor sells all, or substantially all of the Assets to a person or entity other than PURCHASECO.

2.4 In addition, the Sale Process Orders provide that in order to be accepted by the Receiver, any competing bid ("Competing Bid(s)") for the Assets must be on substantially the same terms and conditions as those terms and conditions contained in the Agreement of Purchase and Sale, except with respect to price and except that Competing Bid may provide for payment of the purchase price entirely by certified cheque or bank draft (any Competing Bid(s) that are accepted by the Vendor as superior bides) to the Stalking Horse Bid are referred to herein as the "Superior Bid(s)").

2.5 In order for any Competing Bid to be accepted by the Receiver as a Superior Bid to the Stalking Horse Bid, the Competing Bid must meet all of the following minimum criteria:

- (a) the Competing Bid must be received by the Receiver, in its entirety, by no later than 5:00 p.m. E.S.T. on July 15, 2010;
- (b) the Competing Bid must be accompanied by a duly executed agreement of purchase and sale, blacklined against the Agreement of Purchase and Sale, showing any and all variations from the Stalking Horse Bid, and a deposit payable by way of certified cheque or bank draft which shall not be less than the sum of: (i) 10% of the first one million dollars of the purchase price offered pursuant to the terms of the subject Competing Bid; plus (ii)

- 5% of the balance of the purchase price in excess of one million dollars offered pursuant to the terms of the subject Competing Bid;
- (c) the Competing Bid must be irrevocable and remain open for acceptance and completion until a bid has been accepted by the Vendor following the Sale Process;
 - (d) the Competing Bid must be on terms no less favourable and no more burdensome or conditional than the terms of the Stalking Horse Bid and those contained in the Agreement of Purchase and Sale;
 - (e) the Competing Bid must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the bidder's obligation to close that are not otherwise contained in the Stalking Horse Bid and in the Agreement of Purchase and Sale;
 - (f) the Competing Bid must be made by one or more bidders who can demonstrate, in the aggregate in the event that the Competing Bid is made by more than one bidder, the financial ability to consummate the transaction contemplated by the Competing Bid on the terms specified therein; and
 - (g) the Competing Bid must be for an aggregate purchase price at least equal to the aggregate purchase price stipulated in the Stalking Horse Bid, plus the Break-Up Fee, plus a minimum overbid amount equivalent to at least 1% of the purchase price stipulated in the Stalking Horse Bid.

3. COMPETING BID OFFER

3.1 Sealed bids marked "DO NOT OPEN - BID - 2000396 ONTARIO INC." shall be delivered or mailed postage prepaid to SF Partners Inc., Receiver of 2000396 ONTARIO INC., 4950 Yonge Street, 4th Floor, Toronto, Ontario, M2N 6K1, Attention: Mr. Brahm Rosen, so as to be received by the Receiver by 5:00 p.m. E.S.T. on July 15, 2010.

3.2 Every Competing Bid must be in writing and submitted in the form of an amended Agreement of Purchase and Sale, as provided herein. Any Competing Bids

received by the Receiver that are not in the correct form may be rejected immediately by the Receiver, acting in its sole and unfettered discretion.

3.3 The opening of any Competing Bid(s) received by the Receiver will be conducted on July 16, 2010, in private and in the presence of representatives of the Receiver and its solicitors.

3.4 In consideration of the Receiver receiving any Competing Bid and upon receipt by the Receiver of any such Competing Bid, the competing bidder shall not be entitled to retract, withdraw, revoke, vary or countermand its Competing Bid.

3.5 In the event that any Competing Bids received by the Receiver are on substantially the same terms, conditions and/or amounts of one another, the Receiver may, subject to the approval of the Court, call upon such competing bidders to submit further bids.

3.6 No Competing Bid may contain proposals to vary, amend or supplement these Terms and Conditions of Sale.

3.7 Any documentation or other materials provided to prospective bidders relating to the Assets have been prepared solely for the convenience of prospective bidders and is not warranted to be complete or accurate, and do not form part of these Terms and Conditions of Sale. Every bidder shall be deemed to have relied entirely on its own inspection and investigation of the Assets and the title thereto.

3.8 By submitting an offer to purchase the Assets, the bidder acknowledges that it has inspected the Assets and that the Assets are being sold on an "as is, where is" basis at the time of closing and that there is no representation, warranty or condition, expressed or implied, statutory or otherwise, as to title, encumbrances, description, fitness for any purpose, merchantability, quality, quantity, state, condition (environmental or otherwise), defect (patent or latent), existence, location, value, the validity or enforceability of any rights (including intellectual property rights, any requirement for licenses, permits, approvals, consents for ownership, occupation or use or compliance with any government laws, regulations, bylaws and orders or in respect of any other matter or thing whatsoever. The Assets are specifically offered, as they now exist with no adjustments to be allowed for changes in conditions, qualities or quantities of such parcels from the date hereof to the Closing Date (as the term is defined below) of the

contemplated transaction. The bidder acknowledges that the Receiver is not required to inspect or count, or provide any inspection or counting, of the Assets or any part thereof and the bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. It shall be the bidder's sole responsibility to obtain, at its own expense, any consents to such transfer of the Assets and any further documents or assurances which are necessary or desirable in the circumstances.

3.9 The Receiver, at its sole and unfettered discretion, may waive or vary any or all of the terms and conditions contained hereof.

4. DEPOSIT

4.1 Competing Bids shall be stated in Canadian currency and must be accompanied by a deposit in the form of a draft or a cheque certified by a Canadian bank payable to "SF Partners Inc., Receiver of 2000396 ONTARIO INC. in Trust." The deposit for any Competing Bid shall not be less than the sum of: (i) 10% of the first one million dollars of the purchase price offered pursuant to the terms of the subject Competing Bid; plus (ii) 5% of the balance of the purchase price in excess of one million dollars offered pursuant to the terms of the subject Competing Bid. If a Competing Bid is accepted to be the Winning Bid (as the term is defined below), the subject deposit shall be deemed to be a cash deposit and will be applied by the Vendor towards the purchase price of the Assets on closing of the contemplated transaction.

4.2 Deposits accompanying Competing Bids that are not accepted by the Receiver to be Superior Bids will be returned to the respective bidder(s) by prepaid ordinary mail addressed to the respective competing bidders at the address set out in their offers on or before July 22, 2010.

5. THE AUCTION PROCESS AND THE WINNING BID

5.1 In the event the Receiver receives one or more Competing Bids, on or before July 30, 2010, the Receiver will distribute to PURCHASECO and the makers of the Superior Bids, the following:

- (a) an invitation to an auction of the Assets to be held within five (5) business days (or such other date as the Vendor may designate) at 10:00 a.m. E.S.T. at the offices of the Receiver's solicitors (the "Auction");
- (b) a copy of the bid that the Receiver, acting in its sole and unfettered discretion, having regard to all of the features of the bids, believes to be the most favourable bid as between the Stalking Horse Bid and all of the Superior Bids (the "Lead Bid"); and
- (c) a copy of a set of rules for the conduct of the Auction, established by the Receiver, acting in its sole and unfettered discretion, with a view of maximizing the price for the Assets (the "Auction Rules"). The Auction Rules shall provide, *inter alia*, that: (A.) all bids made at the Auction shall be in accordance with the terms and conditions of the Lead Bid, except for the aggregate purchase price which will be subject to improvement through bidding in the Auction; (B.) each bid made in the course of the Auction shall exceed the aggregate purchase price payable pursuant to the preceding bid (or, in the case of the first bid made at the Auction, the Lead Bid) by no less than 1% of the purchase price payable under the Stalking Horse Bid solely for the purpose of determining the successful bid at the Auction; any bid made by PURCHASECO at the Auction shall have added to it the Break-Up Fee; and the highest bid received at the Auction shall be the "winning bid" (the "Winning Bid").

5.2 Upon acceptance of the Winning Bid at the Auction, there shall be a binding agreement of purchase and sale between the successful winning bidder (the "Purchaser") and the Vendor of the Assets (the "Winning Bid Agreement"), with respect to which the Winning Bid was accepted by the Vendor. The Winning Bid Agreement shall be constituted by:

- (a) the Stalking Horse Bid or one of the Superior Bids, as the case may be, as amended pursuant to the Auction;
- (b) these Terms and Conditions of Sale;
- (c) the amended Agreement of Purchase and Sale submitted by the Purchaser, as amended pursuant to the Auction; and

(d) the acceptance of the Winning Bid.

5.3 The Receiver will make a motion to the Court for approval of the Winning Bid as soon as is reasonably practical. Thereafter, the Receiver will advise the Purchaser of the outcome of the said motion.

5.4 Title to the Assets shall not pass to the Purchaser nor shall the Purchaser be entitled to possession of same until the purchase price and all other payments to be made by the Purchaser pursuant to the Winning Bid Agreement have been paid in full, and the Purchaser has complied with all of its covenants contained herein and in the Winning Bid Agreement, which shall have been duly executed and delivered to the Vendor.

5.5 The Vendor shall not be required to pay any commission with respect to a sale made pursuant to these Terms and Conditions of Sale.

6. CLOSING DATE

6.1 The closing of the contemplated transaction shall take place on the date which is ten (10) days following Approval of the agreement of purchase by the Court and issuance of the Vesting Order, or such earlier date as the parties or their respective solicitors may actually agree upon in writing, subject to the Vendor's right to postpone the contemplated transaction in accordance with the terms of the agreement of purchase and sale (the "Closing Date").

6.2 The Vendor shall not be required to produce any abstract of title, title deed or documents or copies thereof or any evidence as to title pertaining to the Assets, other than those in its possession.

7. EVENT OF FORFEITURE

7.1 If the Purchaser fails to comply with the terms and conditions of the Winning Bid Agreement, or any of them, all deposits shall be forfeited to the Vendor on account of agreed liquidated damages, the Assets being conveyed to the Purchaser may be resold by the Vendor, and the Purchaser shall pay to the Vendor on demand: (i) an amount equal to the amount, if any, by which the purchase price under the Winning Bid

Agreement exceeds the net purchase price received by the Vendor pursuant to such resale, and (ii) an amount equal to all costs and expenses incurred by the Vendor in respect of or occasioned by the Purchaser's failure to comply with the Winning Bid Agreement.

8. **GENERAL**

8.1 SF Partners Inc. is acting solely in its capacity as Receiver of the current and future assets, undertakings and properties of 2000396 ONTARIO INC. and shall have no personal or corporate liability hereunder or from any agreement contemplated hereby or as a result of any contemplated sale.

8.2 The terms and conditions contained herein shall not merge on the closing of the transaction contemplated herein but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.

8.3 The terms and conditions hereunder shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

8.4 The terms and conditions contained herein shall enure to the benefit of and be binding upon the parties thereto and their permitted heirs, executors, administrators, successors or assigns, as the case may be.

8.5 Unless otherwise provided herein, any tender of documents or money hereunder may be made upon the Vendor or the Purchaser, or their respective solicitors. Money may be tendered by cheque certified by a Canadian chartered bank, Canadian trust company or by bank draft.

8.6 The obligations of the Vendor to complete any agreement contemplated herein or hereby shall be relieved if, on or before the closing of such sale, the Assets or any part thereof which are the subject of the sale have been removed from the control of the Vendor by any means or process, enjoined, or the Assets, or any part thereof, are redeemed, whereupon the only obligation of the Vendor shall be to return the applicable deposit, without interest, deduction costs or compensation.

8.7 The Purchaser shall not assign the Winning Bid Agreement without the

Receiver's prior written approval, which approval may be granted or withheld in the Receiver's sole and unfettered discretion.

8.8 Time is of the essence of any agreement entered into pursuant to these Terms and Conditions of Sale, any rule of law or equity to the contrary notwithstanding.

8.9 The Vendor reserves its rights, subject to Court approval, to withdraw the Assets or any part thereof on or before the Closing Date if there is any actual or threatened litigation with respect to any of the Assets or if any Asset has been redeemed or is subject to any lien or encumbrance which the Vendor cannot remove and the Purchaser will not assume. The Vendor shall be under no obligation to compensate any third party in order to complete any applicable agreement and shall return the deposit to the Purchaser without interest, costs or compensation.

8.10 Unless the context otherwise requires, words importing the singular include the plural and vice versa.

8.11 The submission of a bid by a resident of the Province of Quebec will be deemed to constitute the declaration and acknowledgement by such resident that it has requested these Terms and Conditions of Sale, the form of bid referred to herein and all other documentation relating to its bid and the acceptance thereof to be drawn up in the English language.

8.12 La présentation d'une soumission par une personne résidente dans la province de Québec constituera la déclaration et la reconnaissance expresse par le soumissionnaire qu'il a consenti que ces Termes et Conditions de Vente, la formule de soumission mentionnées en ceci et tous autres documents relatifs à la soumission et à son acceptation soient rédigés en langue anglaise.

DATED at Toronto, this _____ day of _____, 2010.

SF PARTNERS INC., solely
in its capacity as Receiver of the
current and future assets, undertakings and
properties of 2000396 ONTARIO INC. not in
its personal capacity

Per: _____
Name: Brahm Rosen
I have authority to bind the Corporation