

DEVELOPMENT LOAN AGREEMENT

THIS AGREEMENT made as of the 17th day of July, 2012,

BETWEEN:

FORTRESS REAL DEVELOPMENTS INC.

(the "Lender")

- and -

MADY COLLIER CENTRE LTD.

(the "Borrower")

- and -

DAVID MADY INVESTMENTS (2008) INC. AND D. MADY HOLDINGS INC.

(collectively the "Guarantor")

WHEREAS the Lender agreed to advance the Loan to the Borrower;

AND WHEREAS the conventional part of the Borrower's Loan obligations (the "Secured Portion") will be secured by a third-ranking mortgage against the Property;

AND WHEREAS the balance of the Borrower's Loan obligations (the "Unsecured Portion") will be wholly addressed in this Agreement;

AND WHEREAS the Lender assigned its interest in the Secured Portion to Derek Sorrenti in Trust and Olympia Trust Company in Trust;

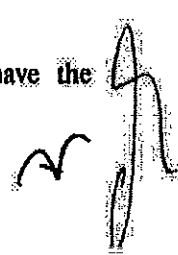
AND WHEREAS Derek Sorrenti in Trust and Olympia Trust Company in Trust entered into the Loan Agreement in connection with the Secured Portion;

AND WHEREAS it is intended that the Secured Portion be an independent self-contained loan, legally separate from the Unsecured Portion, with all rights, remedies and security thereunder to be enforced separate and apart from all rights and remedies hereunder;

FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Defined Terms**

Unless expressly stated otherwise, the following capitalized terms shall have the meanings indicated:



- (a) **"Agreement"** means this agreement and all amendments thereof;
- (b) **"Borrower"** means Mady Collier Centre Ltd. and its successors and permitted assigns;
- (c) **"Guarantor"** means David Mady Investments (2008) Inc. and D. Mady Holdings Inc. and its successors and permitted assigns;
- (d) **"Lender"** means Fortress Real Developments Inc. and its successors and assigns;
- (e) **"Loan"** means a non-revolving loan to the Borrower in an amount not to exceed \$16,923,077.00 to provide for the Borrower's land, hard and soft costs to be incurred prior to the construction financing of the Project, and the Loan is comprised of two components, the Secured Portion and the Unsecured Portion;
- (f) **"Loan Agreement"** means the loan agreement of the same date herewith between Derek Sorrenti in Trust and Olympia Trust Company in Trust, as lenders, and the Borrower, as borrower, pertaining to the Secured Portion;
- (g) **"Maturity Date"** shall have the meaning attributed thereto in Section 4 hereof;
- (h) **"Notice"** shall have the meaning attributed thereto in Subsection 5(b) hereof;
- (i) **"Profit Distribution Schedule"** shall have the meaning attributed thereto in Section 2 hereof;
- (j) **"Proforma Financial Statements"** shall have the meaning attributed thereto in Section 2 hereof;
- (k) **"Project"** means the development to be constructed on the Property, comprised of 86,249 sq. ft. of land area on which the following will be built; 62,781 sq. ft. of multi-residential, 70,786 sq. ft. of retail and 97,140 sq. ft. of office space.
- (l) **"Project Budget"** shall have the meaning attributed thereto in Section 2 hereof;
- (m) **"Property"** means the lands municipally known as 55 Mulcaster Street and 90 Collier Street, Barrie Ontario and legally described in Transfer SC993342 as : All of Lot 81 and Part of Lot 82, North side of Collier Street, Part of the Market Block, All of Lots 98, 99 and 100 and Part of Lot 97 on the South Side of Worsley Street, Plan 2, designated as Part 1 on Plan 51R-38464, City of Barrie, County of Simcoe, together with all personal, intellectual and other property and all contracts relating thereto or associated therewith;
- (n) **"Secured Portion"** shall have the meaning attributed thereto in the recitals hereof;
- (o) **"Term"** shall have the meaning attributed thereto in Section 4 hereof; and



- (p) "Unsecured Portion" shall have the meaning attributed thereto in the recitals hereof.

2. **Borrower's Obligations**

The Borrower agrees to pay the Lender an amount equal to 50% of the final Project profit, as determined by the Project's auditors, minus an amount equal to all interest payments, advanced profits and priority returns, fees and bonuses and all Project completion fees paid by the Borrower pursuant to the Loan Agreement. Attached hereto as Schedule "A" is the current version of the Project budget (the "Project Budget"). Attached hereto as Schedule "B" is the current version of the proforma Project financial statements (the "Proforma Financial Statements"); Attached hereto as Schedule "C" is the current version of the Project profit distribution schedule (the "Profit Distribution Schedule"). Each of the Project Budget, the Proforma Financial Statements and the Profit Distribution Schedule shall be amended from time to time to reflect material changes of the contents thereof. The final Project financial statements shall be certified by both the Borrower and the Project cost consultant. Profit will be paid in accordance with the Profit Distribution Schedule as finalized, but it is acknowledged that part or all of the profit to which the Lender is entitled hereunder may be advanced to the Lender prior to the dates set out in the Profit Distribution Schedule.

In addition to the above and prior to execution of this Agreement, the Borrower shall pay, on behalf of the Project, as a Project cost to the Lender an initial Project set-up fee of \$100,000.00 and pay to a local charity/community program (selected by the Lender and Borrower together) a \$5,000.00 donation, for which each of the Lender and the Borrower shall be deemed to have contributed 50% thereof, and both will be included as Project costs.

3. **Interest Rate**

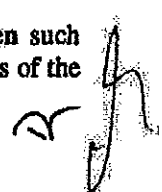
Notwithstanding any other provision hereof, the aggregate fees, donations, interest, share of profits, penalties and all other payments pursuant to the Loan (in addition to the repayment of Loan principal) shall be deemed not to exceed an effective annual rate of interest of 59% (calculated in accordance with generally accepted actuarial practices and principles).

4. **Term**

2 (two) years (the "Term"), commencing on August 1, 2012 and ending on the earlier of the final day of such period or extended period, and the date of full disposition of the entire Project (the "Maturity Date"). At the Borrower's option (to be exercised in writing not less than three (3) months prior to the Maturity Date), the Borrower may extend the Maturity Date for up to 6 (six) additional months.

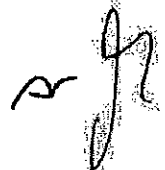
5. **General**

- (a) If the Borrower shall be comprised of more than one person/entity, then such persons/entities shall be jointly and severally liable for all of the obligations of the



Borrower pursuant to this Agreement. If the Guarantor shall be comprised of more than one person/entity, then such persons/entities shall be jointly and severally liable for all of the obligations of the Guarantor pursuant to this Agreement.

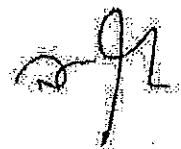
- (b) All notices, directions, service, correspondence and communications (collectively "Notice") between the parties hereunder shall be in writing and delivered, sent by prepaid registered mail or electronically communicated by telecopier; delivered Notices shall be deemed to have been delivered on the day of delivery, if delivered at or before 5:00 p.m. (Toronto time) on a business day, or on the next business day if delivered after that time; Notices sent by prepaid registered mail shall be deemed to have been received on the third (3rd) business day following the date of mailing (notwithstanding the date of actual receipt and the fact that it may not have then been received), except in the event of interruption of postal service during which period Notices shall not be mailed; Notices electronically communicated by telecopier shall be deemed to have been delivered on the day of communication with confirmation of transmission, if communicated at or before 5:00 p.m. (Toronto time), or on the next business day if communicated after that time; any party may provide Notice of a change of its address and/or telefax number, provided that the Notice is communicated in accordance with this Subsection 5(b).
- (c) Neither the Borrower nor the Guarantor shall assign its rights and obligations pursuant to this Agreement, in whole or in part, without the Lender's prior written consent, which consent may be withheld in the Lender's sole, absolute and unfettered discretion.
- (d) The Lender shall be entitled to assign all or part of its right, title and interest pursuant to this Agreement to one or more assignees, by way of simple assignment, syndication, securitization and/or other method of assignment.
- (e) This Agreement shall be governed by and interpreted in accordance with the laws in effect within the Province of Ontario.
- (f) This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject-matter hereof and supercedes all prior agreements, binding commitment agreements, negotiations, understandings and discussions, whether written or oral.
- (g) If any obligation contained in this Agreement or the application thereof to any person or circumstance is, to any extent, invalid or unenforceable, the remainder of this Agreement and the application of such obligation to persons or circumstances other than those to whom/which it is held invalid or unenforceable, shall not be affected thereby and each obligation contained in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- (h) All amendments of this Agreement shall be in writing.



- (i) Time shall be of the essence of this Agreement.
- (j) This Agreement shall enure to the benefit of and be binding upon the successors and permitted assigns of the Borrower, the successors and permitted assigns of the Guarantor and the successors and assigns of the Lender.
- (k) This Agreement may be executed in counterparts.
- (l) If one or more of the following events shall occur:
 - (i) an Event of Default shall have occurred pursuant to the Loan Agreement which is not remedied within ten (10) business days; or
 - (ii) the Borrower shall have sold or agreed to sell part or all of its interest in the Property without obtaining the prior consent of the Lender, other than as permitted in the Loan Agreement; or
 - (iii) the Borrower shall have mortgaged or agreed to mortgage part or all of its interest in the Property without obtaining the prior consent of the Lender, other than the first, second and fourth mortgages; or
 - (iv) ownership control of one or both of the Borrower and the Guarantor shall be transferred or an agreement entered into providing for same without obtaining the prior consent of the Lender, other than as permitted in the Loan Agreement

then the Lender may, in its sole, absolute and unfettered discretion, deem this Agreement to be terminated, in which event the Borrower shall immediately be obligated to pay the Lender, not as a penalty but as a reasonable pre-estimate of the Lender's lost profit hereunder, an amount equal to 75% of all unpaid payments hereunder (based upon the then reasonable projected final Project profit).

- (m) The parties confirm the veracity of the recitals contained on page 1 of this Agreement.




FORTRESS REAL DEVELOPMENTS INC.

By: 
Name: _____
Title: _____


By: _____
Name: _____
Title: _____

Mady Collier Centre Ltd. [Borrower]

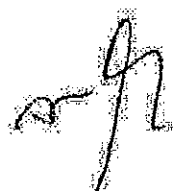
By: 
Name: CHARLES MADY
Title: PRESIDENT

By: _____
Name: _____
Title: _____

**David Mady Investments (2008) Inc.
[Guarantor]**

By: 
Name: DAVID MADY
Title: PRESIDENT

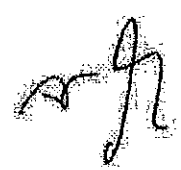
By: _____
Name: _____
Title: _____



D. Mady Holdings Inc. [Guarantor]

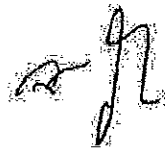
By: 
Name: DAVID MADY
Title: PRESIDENT

By: _____
Name: _____
Title: _____



SCHEDULE "A"
TO DEVELOPMENT LOAN AGREEMENT
BETWEEN FORTRESS REAL DEVELOPMENTS INC., MADY COLLIER CENTRE
LTD. AND DAVID MADY INVESTMENTS (2008) INC. AND D. MADY HOLDINGS
INC.

PROJECT BUDGET



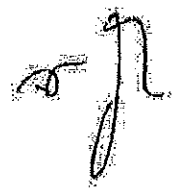
Project Budget

EXPENSES	
Land	6,951,582
Hard Costs	47,118,759
Soft Costs	
Architectural and Engineering	1,761,500
Permits, Bonds and Fees	1,343,331
Professional Fees	475,000
Financing Expenses	3,210,000
Marketing Expenses	2,175,270
Developer Fee to Mady Development Corporation	2,000,000
Other	(1,363,953)
Total Soft Costs	9,601,148
TOTAL EXPENSES	63,671,488

10/92

SCHEDULE "B"
TO DEVELOPMENT LOAN AGREEMENT
BETWEEN FORTRESS REAL DEVELOPMENTS INC., MADY COLLIER CENTRE
LTD. AND DAVID MADY INVESTMENTS (2008) INC. AND D. MADY HOLDINGS
INC.

PROFORMA FINANCIAL STATEMENTS

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Proforma Project Financial Statements

REVENUES

Retail Sales	\$ 26,579,695	
Office Sales	32,116,746	
Parking Sales (Sobeys)	880,000	
Parking Sales (Operator)	524,504	
Residential Sales - Condominium	16,013,117	
Recoveries from Purchasers on Closings	244,720	<u>\$76,358,782</u>

EXPENSES

Land	\$ 6,951,592	
Hard Costs	47,118,759	
Soft Costs	9,601,148	<u>\$63,671,498</u>

GROSS PROFIT

\$12,687,283

ADDBACK:	FMV of 90 Parking Spaces	\$ 2,250,000	
ADDBACK:	Office Tower Lease Subsidy (City of Barrie)	\$ 1,667,592	\$ 3,917,592

NET PROFIT

\$16,604,875

RATE OF RETURN AGAINST EXPENSES

28%

SCHEDULE "C"
TO DEVELOPMENT LOAN AGREEMENT
BETWEEN FORTRESS REAL DEVELOPMENTS INC., MADY COLLIER CENTRE
LTD. AND DAVID MADY INVESTMENTS (2008) INC. AND D. MADY HOLDINGS
INC.

PROFIT DISTRIBUTION SCHEDULE



**Schedule C
Collier Centre Barrie**

Annual Return on Investment for Investors
Quarterly Return on Investment
Daily Return on Investment

8%
2%
\$32194786

	Mortgage Tranche	Pay out to Investors ¹	Paid out to Collier	Payout Date	Investor Interest Payment @ 8% of Gross Mortgage Tranche
2012	August 1, 2012	\$ 6,151,846	\$ 2,151,846	\$ 4,000,000	August 1, 2012
	September 1, 2012	\$ 6,151,846	\$ 2,151,846	\$ 4,000,000	September 1, 2012
	October 1, 2012				October 1, 2012
	November 1, 2012				November 1, 2012
2013	December 1, 2012	\$ 4,615,385	\$ 1,615,385	\$ 3,000,000	December 1, 2012
	January 1, 2013				January 1, 2013
	February 1, 2013				February 1, 2013
	March 1, 2013				March 1, 2013
	April 1, 2013				April 1, 2013
	May 1, 2013				May 1, 2013
	June 1, 2013				June 1, 2013
	July 1, 2013				July 1, 2013
	August 1, 2013				August 1, 2013
	September 1, 2013				September 1, 2013
	October 1, 2013				October 1, 2013
	November 1, 2013				November 1, 2013
2014	December 1, 2013				December 1, 2013
	January 1, 2014				January 1, 2014
	February 1, 2014				February 1, 2014
	March 1, 2014				March 1, 2014
	April 1, 2014				April 1, 2014
	May 1, 2014				May 1, 2014
	June 1, 2014				June 1, 2014
	July 1, 2014				July 1, 2014
August 1, 2014				August 1, 2014	
	\$ 18,923,077	\$ 5,923,077	\$ 13,000,000		\$ 2,542,466

¹ Based on Investor's holding period, after accounting for interest payments and interest capitalized on interest.

Projected Pro Forma Profit			
			\$ 16,604,975
Net Profit Share @ 84/50	\$ 3,302,488	\$	8,962,488
Profit Adjustment		\$	4,306,000
Total	\$ 3,302,488	\$	13,268,488
Less: Priority return on \$11M interest	\$ 5,923,077	\$	2,542,466
Net Profit	\$ 2,379,411	\$	10,726,022

Available Deferred Lender Fee:

14.00%