

## AMENDED AND RESTATED LOAN AGREEMENT

**THIS AMENDED AND RESTATED LOAN AGREEMENT** made as of September 17, 2019 (the “**Effective Date**”), amended and restated as of December 31, 2019

### **BETWEEN:**

**SAMPER DEVELOPMENTS LTD.**, a corporation incorporated pursuant to the laws of the Province of Ontario;

(hereinafter referred to as “**Samper**”)

- and -

**SKY ASCENT FINANCIAL GROUP INC.**, a corporation incorporated pursuant to the laws of the Province of Ontario;

(hereinafter referred to as “**Sky**”, and together with Samper, the “**Lenders**”)

- and -

**XTM INC.**, a corporation incorporated pursuant to the laws of the Province of Ontario;

(hereinafter referred to collectively as the “**Borrower**”)

### **RECITALS:**

- A.** The Borrower has requested that the Lenders provide a loan facility more particularly described in this Agreement, to be available and used for the purposes specified in this Agreement.
- B.** The Lenders have agreed to provide the Borrower with such loan facility upon and subject to the terms and conditions herein set forth.

**NOW THEREFORE** in consideration of the covenants and agreements herein contained the parties hereto covenant and agree as follows:

## **ARTICLE 1** **DEFINITIONS**

### **1.1 Definitions:**

In this Agreement, including, without limitation, in the recitals to this Agreement, the following capitalized words, terms and expressions have the respective meanings set out below:

- (a) “**Advance**” means an advance of funds by one or more of the Lenders under the Loan directly to the Borrower;

- (b) **“Advance Date”** means the date of an Advance under the Credit Facility;
- (c) **“Affiliate”** shall mean, with respect to any person, any other person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such person, and includes any person in like relation to an Affiliate. A person shall be deemed to control another person if such first person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other person, whether through the ownership of voting securities, by contract or otherwise;
- (d) **“Agreement”, “this Agreement”, “hereto”, “herein”, “hereof”, “hereby”, “hereunder”** and similar expressions used herein shall refer to the whole of this Agreement and any schedule hereto, as amended from time to time;
- (e) **“Applicable Law”** shall mean, with respect to any Person, property, transaction, event or other matter, any law, rule, statute, regulation, order, judgement, decree, treaty, directive or other requirement having the force of law relating or applicable to such person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;
- (f) **“Borrower”** means XTM Inc. and its successors and permitted assigns;
- (g) **“Borrower’s Counsel”** means Gowling WLG (Canada) LLP;
- (h) **“Business Day”** means each day other than a Saturday, Sunday or any day on which the chartered banks are not open for business in the Province of Alberta;
- (i) **“Common Share”** has the meaning given to it in Section 2.1(i);
- (j) **“Conversion”** means a repayment of the Loan in the Conversion Amount by the issuance of Common Shares from the Borrower to one or of the Lenders in accordance with Section 2.1(i);
- (k) **“Conversion Amount”** has the meaning given to it in Section 2.1(i);
- (l) **“Conversion Rate”** has the meaning given to it in Section 2.1(i);
- (m) **“Damages”** in respect of any matter, means all claims, demands, proceedings, losses, damages (including special, incidental and/or consequential damages such as, but not limited to loss of profit, loss of business revenue and failure to realize expected profits or savings), liabilities, deficiencies, costs and expenses (including, without limitation, all legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) arising directly or indirectly as a consequence of such matter;
- (n) **“Default”** means any event, act or condition which with the giving of notice or lapse of time, or both, would constitute an Event of Default;
- (o) **“Event of Default”** means any one of the Events of Default set out in Article 6 of this Agreement;

- (p) **“Final Payment Date”** has the meaning given to it in Section 2.1(b);
- (q) **“Initial Advance”** means the first Advance under the Credit Facility;
- (r) **“Lenders”** has the meaning given to it on the first page of this Agreement, and **“Lender”** means any one of them;
- (s) **“Liquidity Event”** means:
  - (i) all of the issued and outstanding Common Shares having been sold, transferred or exchanged pursuant to an amalgamation, plan of arrangement or other business combination, for cash and/or for securities (**“Free Trading Securities”**) of a company that is listed on a recognized Canadian stock exchange that, in the case of a corporation whose securities are authorized and approved for listing on a recognized Canadian stock exchange, are not subject to any restricted period or hold period under applicable securities laws in Canada (other than in respect of resales by control persons);
  - (ii) the sale by the Borrower of all or substantially all of its assets for cash or Free Trading Securities and the subsequent distribution of all of such consideration to all of the Borrower's shareholders, on a pro-rata basis;
  - (iii) the acceptance of a takeover bid or an issuer bid, made to all holders of Common Shares or any other voting securities of the Borrower for proceeds consisting of cash or Free Trading Securities, by holders of Common Shares who hold not less than 66 2/3% of the outstanding Common Shares or any other voting securities of the Borrower; or
  - (iv) any combination of the events or circumstances described in paragraphs (i), (ii) and (iii) above, such that all of the Common Shares shall be subject to one or more of paragraphs (i), (ii) and (iii) above;
- (t) **“Loan”** shall mean the aggregate of all Advance(s) made by any of the Lenders to the Borrower in connection with this Agreement;
- (u) **“Loan Amount”** means, at any point in time, the principal amount of the Loan then outstanding and unpaid, whether or not then due;
- (v) **“Material Adverse Effect”** means any change, condition, event or occurrence, as determined by the Lenders, unanimously, in their sole and absolute discretion, in respect of the Borrower (including its Subsidiaries) or other collateral granted under the Security Documents or any of them that, individually or in the aggregate, has been, or could reasonably constitute or be expected to constitute a material adverse change which involves a reasonable possibility of any change, condition, event or occurrence which, when considered either individually or together with all other changes, conditions, events or occurrences, could reasonably be expected to materially and adversely affect the financial condition, results of operations, business, assets, capital or prospects of the Borrower (including its Subsidiaries) or a material adverse effect on the ability of the Borrower (including its Subsidiaries) to perform its obligations under any of the Security Documents, or

impede materially the value of the collateral as determined by the Lenders, unanimously, in their sole and absolute discretion; for the purpose of greater certainty, a Material Adverse Effect includes, but is not limited to, any actions, suits or proceedings, pending or, threatened other than suits or proceedings involving a claim of less than \$200,000;

- (w) **“Maximum Amount”** has the meaning given to it in Section 2.1;
- (x) **“Notice of Advance”** has the meaning given to it in Section 2.1(e);
- (y) **“Permitted Encumbrances”** means those encumbrances set out in Schedule “1” annexed hereto;
- (z) **“Person”** is to be broadly interpreted and shall include an individual, a corporation, a partnership, a trust, an unincorporated organization, a joint venture, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;
- (aa) **“Private Placement”** has the meaning given to it in Section 2.1(i);
- (bb) **“Security Documents”** has the meaning given to it in Section 3.1; and
- (cc) **“Warrants”** has the meaning given to it in Section 2.1(i).

## 1.2 **Schedules:**

The following schedule is attached hereto and are incorporated in and deemed to be an integral part of this Agreement:

Schedule “1”                      Permitted Encumbrances

## **ARTICLE 2** **LOAN**

### 2.1 **Credit Facility Established:**

In reliance upon the representations, warranties and covenants of the Borrower herein contained and subject to the terms and conditions herein set forth, the Lenders hereby jointly establish in favour of the Borrower a loan facility to be utilized to provide bridge financing to support working capital requirements (the **“Credit Facility”**), up to a maximum amount of **ONE MILLION DOLLARS (\$1,000,000.00)** (the **“Maximum Amount”**), on the following terms:

- (a) The Credit Facility is to be advanced upon satisfaction of the conditions contained in this Agreement and satisfactory due diligence review by the Lenders.
- (b) The Credit Facility, all interest payable thereon, and all other fees and/or other amounts payable in respect of this Agreement, is payable 18 months from the Initial Advance, provided that if a Liquidity Event does not occur within 18 months

of the Initial Advance, such date may be extended by up to six months in the sole discretion of the Borrower (the "**Final Payment Date**").

- (c) Interest only payments shall be made on the last Business Day of each and every month during the term of the Loan, with a balloon payment of any amounts outstanding on the Final Payment Date.
- (d) Advances from the Maximum Amount shall be available to the Borrower in the form of draws from the Credit Facility. The Initial Advance shall be in the amount of **TWO HUNDRED FIFTY THOUSAND (\$250,000.00) DOLLARS** and shall be advanced within two Business Days after the Effective Date by wire transfer. Each subsequent draw shall be in the amount of at least **ONE HUNDRED THOUSAND (\$100,000.00) DOLLARS**.
- (e) The Borrower shall notify the Lenders of its intention to make a draw from the Credit Facility at least five days prior to the date of the desired Advance (the "**Notice of Advance**"). The Notice of Advance shall specify:
  - (i) the amount of the draw from the Credit Facility;
  - (ii) the date of the desired Advance from the Lenders;
  - (iii) the account information for the Borrower's bank account that the Advance is to be deposited into; and
  - (iv) such further information as the Lenders may reasonably request.
- (f) Except for the Initial Advance which shall be advanced as described in Section 2.1(d) of this Agreement, the Lenders shall advance within five Business Days of receiving the Notice of Advance any amount under an Advance by wire transfer in immediately available funds to the bank account of the Borrower set out in the Notice of Advance, provided that at the date of the Notice of Advance the Common Shares are listed for trading on the Canadian Securities Exchange or another recognized Canadian stock exchange.
- (g) The Lenders may determine among themselves which Lender shall, and in what proportion, fund any particular Advance, provided that:
  - (i) the Initial Advance shall be funded by Samper;
  - (ii) the first \$250,000 following the Initial Advance shall be funded by Sky;
  - (iii) should the Lenders not agree on which Lender shall fund a particular Advance prior to the date which is two days prior to the date on which such Advance is required to be advanced to the Borrower in accordance with Section 2.1(f), each Lender shall fund 50% of the particular Advance; and
  - (iv) no Lender shall be required to fund more than \$500,000 in the aggregate, and the proportion of any particular Advance required to be funded by the Lenders in Section 2.1(g)(iii) be adjusted accordingly.

- (h) The Borrower shall have the right to permanently repay the Credit Facility in full, including the Loan Amount, all interest payable thereon, and all other fees and/or other amounts payable in respect of this Agreement, at any time without bonus or penalty assuming no Event of Default has occurred. In the event the Borrower elects to repay some or all of the Loan, the Borrower will provide the Lenders of such election at least ten Business Days prior to the expected date of repayment, and the Lenders shall provide their written direction in respect of the manner in which such repayment shall be made by the Borrower.
- (i) Each Lender shall have the option, in its sole direction, on a date before the Final Payment Date, to convert (the “**Conversion**”) all or any outstanding Loan Amount owing to the respective Lender (the “**Conversion Amount**”) into common shares in the capital of the Borrower (each a “**Common Share**”) at a price equal to **SEVENTEEN (\$0.17) CENTS** per Common Share (the “**Conversion Rate**”) which shall be issued to the applicable Lender by the Borrower on a private placement basis pursuant to an exemption set out in National Instrument 45-106 (a “**Private Placement**”). For greater certainty, the number of Common Shares which shall be issued to the applicable Lender pursuant to a Conversion shall be the Conversion Amount divided by the Conversion Rate, rounded to the next whole number. Prior to a Conversion:
- (i) The applicable Lender shall deliver to the Borrower ten Business Days prior to any Conversion notice in writing of that Conversion which specifies: (i) the date of the Conversion; (ii) the Conversion Amount; and (iii) the number of Common Shares to be issued to the applicable Lender pursuant to the Conversion.
  - (ii) The Borrower shall deliver to the applicable Lender within ten Business Days of any Conversion a definitive share certificate representing the applicable Common Shares issued to the applicable Lender pursuant to the Conversion.
  - (iii) Each Conversion shall be effective on the applicable date specified by the Borrower. Each Conversion and the issuance of the applicable Common Shares to the applicable Lender shall represent full and final payment by the Borrower to the applicable Lender of the applicable Conversion Amount and a reduction of the Loan Amount by the Conversion Amount.
- (j) Any payment of principal or interest hereunder shall be made payable to the Lenders or to such Person or Persons as the Lenders may from time to time in writing direct;
- (k) All payments hereunder shall be prorated according to each Lender’s proportionate share of the Loan Amount at the time of the payment(s) and such payments shall be made to each Lender directly pursuant to Section 8.1 of this Agreement prior to 2:00 p.m. (Toronto time). For greater certainty, any interest owing to the Lenders shall be paid to such Lender on the basis of the original Advance on which such interest is payable. Any payments received by the Lenders after 2:00 p.m. (Toronto time) on the day payable shall be deemed to have been made and to have been received by the Lenders on the next Business Day;

- (l) In the event that any provision of this Agreement would oblige the Borrower to make any payment of interest or any other payment that is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate that would be prohibited by law or would result in a receipt by one or both Lenders of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by one or both Lenders of interest at a criminal rate, such adjustment to be effected, to the extent necessary, firstly, by reducing the amount or rate of interest otherwise required to be paid under Section 2.2 and thereafter, by reducing any fees, commissions, premiums and other amounts that would constitute interest for the purposes of section 347 of the *Criminal Code* (Canada). If, notwithstanding the provisions of this Section 2.1(l) and after giving effect to all adjustments contemplated thereby, one or more of the Lenders shall have received an amount in excess of the maximum permitted by the *Criminal Code* (Canada), then such excess shall be applied by the applicable Lender to the reduction of the principal balance of the Loan outstanding and not to the payment of interest or if such excessive interest exceeds such principal balance, such excess shall be refunded to the Borrower. Any amount or rate of interest referred to in this Section 2.1(l) shall be determined in accordance with generally accepted actuarial practices and principles at an effective annual rate of interest over the term of this Agreement on the assumption that any charges, fees or expenses that fall within the meaning of "interest" (as defined in the *Criminal Code* (Canada)) shall, if they relate to a specific period of time, be prorated over that period of time and otherwise be prorated over the terms of this Agreement and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Lenders shall be conclusive for the purposes of such determination;
- (m) Unless otherwise stated, wherever in this Agreement reference is made to a rate of interest "per annum" or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 days, and using the nominal rate method of calculation, and will not be calculated using the effective rate method of calculation or on any other basis that gives effect to the principle of deemed re-investment of interest; and
- (n) For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid under this Agreement is to be calculated on the basis of a year of 365 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by 365 days or such other period of time, as the case may be.

## **2.2 Interest:**

Interest on the Credit Facility shall be calculated at the rate per annum set out in the table below, compounded monthly, on the daily balance outstanding under the Credit Facility. Interest shall be calculated monthly in arrears, before and after maturity, default or judgment, with interest on overdue interest calculated in the same manner at any time on the daily balance outstanding at the same rate based on the actual number of days lapsed divided by 365.

<u>Period</u>	<u>Interest Rate</u>
Effective Date to March 18, 2020	12.0%
March 19, 2020 to September 18, 2020	14.0%
September 19, 2020 to March 18, 2021	16.0%
As of March 19, 2021	18.0%

### 2.3 Proof of Loan Amount:

The Borrower acknowledges that the recording by the applicable Lenders of an Advance and any principal, interest, fees, payments or other amounts owing or received under this Agreement in an account opened and maintained by the applicable Lender in respect thereof shall constitute, in the absence of manifest error, conclusive evidence of the Borrower's indebtedness and liability at any time and from time to time under this Agreement; provided that the failure of the applicable Lender to record any amount in such account shall not affect the obligation of the Borrower to pay or repay such indebtedness and liability in accordance with the terms of this Agreement.

### 2.4 Conditions to the Loan:

As a condition to the establishment of the Credit Facility and the Lenders entering into this Agreement, each of the following conditions shall be fulfilled, satisfied and performed in a manner completely satisfactory to the Lenders and their counsel in all respects:

- (a) all of the Security Documents, each in form and substance satisfactory to and approved by the Lenders, shall have been executed by such Persons as are duly authorized to execute such documents and the Lenders shall be satisfied that such Persons have been so duly authorized and such documents shall have been delivered to the Lenders and filed and registered as the Lenders' lawyers may consider necessary or advisable;
- (b) each of the covenants and agreements set out in this Agreement shall have been performed, fulfilled and satisfied, no Event of Default shall have occurred and continue to subsist and no event or circumstance shall have occurred and no condition shall exist which will result, either immediately, or with the lapse of time or giving of notice or both, in the occurrence or existence of an Event of Default;
- (c) each of the warranties and representations made by the Borrower in this Agreement, in any of the Security Documents and in any other document, material, information or report supplied or delivered in connection with the Loan to the Lenders, the Lenders' lawyers or representatives of the Lenders shall be true and correct;
- (d) no Material Adverse Effect shall have occurred; and
- (e) an aggregate of 5,000,000 share purchase warrants (the "**Warrants**") shall be issued to the Lenders by the Borrower on a Private Placement basis as the Lenders' fee for the Loan, upon receiving notice from the Lenders, jointly, specifying the registration and delivery instructions of the Warrants and where half of the Warrants will be issued to Samper and half of the Warrants will be issued to Sky. Each Warrant shall be exercisable to acquire one Common Share at an exercise price equal to **SEVENTEEN (\$0.17) CENTS** per Common Share. The Warrants shall be granted in the form of a warrant certificate, the form and



substance of which shall be acceptable to the applicable Lender, acting reasonably. The Warrants shall be exercisable for a period of two years from the date of issuance subject to the warrant agreement. The terms of the Warrants, including number and exercise price thereof, may be changed at any time without the consent of the applicable Lender if necessary to comply with the rules and policies of the Canadian Securities Exchange at the time of, or at any time following, listing of the Borrower's securities.

Each of the conditions set forth in this Section 2.4 is for the exclusive benefit of the Lenders and unless waived unanimously in writing by the Lenders shall be fulfilled, satisfied and performed by the Borrower.

### **ARTICLE 3** **SECURITY**

#### **3.1 Security Documents:**

As security for the timely repayment of the Loan and the due and punctual payment and performance of this Agreement and all other indebtedness, liabilities and obligations of the Borrower to the Lenders under, arising out of or from this Agreement or any other agreement, both present and future direct or indirect, absolute or contingent, matured or otherwise, or howsoever arising, the Borrower shall deliver to the Lenders upon execution of this Agreement (unless otherwise indicated), in form and content satisfactory to the Lenders (the "**Security Document**"), a general security agreement to be granted by the Borrower creating a charge over all present and after-acquired personal property of the Borrower, subject only to the Permitted Encumbrances. The security interests of each Lender shall rank *pari-passu* to one another in all respects, in proportion to the amount owing to such Lender under the Credit Facility.

### **ARTICLE 4** **REPRESENTATIONS AND WARRANTIES**

#### **4.1 Borrower's Representations and Warranties:**

In order to induce the Lenders to enter into this Agreement, the Borrower makes the following representations and warranties to the Lenders as at the Effective Date:

- (a) No Conflict with Laws or Agreements: Neither the execution nor the delivery of this Agreement by the Borrower, nor the consummation by it of the transactions herein contemplated, nor the compliance by it with the terms, conditions and provisions hereof will conflict with or result in a breach of any of the terms, conditions or provisions of:
  - (i) any agreement, instrument or arrangement to which the Borrower is a party, or by which any of its property is or may be bound, or constitute a default thereunder, or result thereunder in the creation or imposition of any security interest, mortgage, lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Borrower;
  - (ii) any judgment, order, writ, injunction or decree of any court, relating to the Borrower; or

- (iii) any Applicable Law relating to the Borrower, or its properties or assets.
- (b) Agreement Binding: This Agreement constitutes a legal, valid and binding obligation of the Borrower enforceable against it in accordance with its terms, subject to applicable laws relating to bankruptcy, insolvency and other similar laws affecting creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.
- (c) Warrants: The Warrants have been duly and validly authorized and, upon receiving full payment for the exercise of the Warrants, the common shares in the capital of the Borrower issuable upon exercise of the Warrants will be validly issued as fully paid and non-assessable common shares of the Borrower.
- (d) Information Provided: All information, data and reports (financial or otherwise) furnished by or on behalf of the Borrower to induce the Lenders to enter into this Agreement were true, accurate and complete in all material respects at the time that they were furnished to the Lenders and continue to be true as of the Effective Date.
- (e) Disclosure: None of the representations and warranties made herein and no document furnished by or on behalf of the Borrower to the Lenders in connection with the transactions contemplated herein contain any untrue statement of a material fact or omit to state any material fact necessary to make any such statement or representation not misleading to the Lenders and there are no facts directly relating to the Borrower, not disclosed herein or otherwise disclosed in writing to the Lenders which, if known to the Lenders, might reasonably be expected to deter the Lenders from completing the transactions contemplated in this Agreement.
- (f) Consent: The entering into of this Agreement and all documents referred to herein or contemplated hereby do not require any consent, approval or authorization of any other Person, other than Required Consents.
- (g) Good Standing of the Permitted Encumbrances: Each of the Permitted Encumbrances is in good standing, has been fully complied with and there are no continuing or pending defaults or events which with the passage of time would become a default or event of default by the Borrower thereunder.
- (h) Ownership: The Borrower owns and has all right, title and interest in and to all of its assets and has the authority to grant security therein to the Lenders free of all security interests, mortgages, liens, claims, charges or other encumbrances in favour of any other person other than the Permitted Encumbrances.

## **ARTICLE 5** **COVENANTS**

### **5.1 Affirmative Covenants:**

The Borrower covenants and agrees with the Lenders, as follows:

- (a) Perform Obligations: The Borrower shall fully observe and perform its obligations under this Agreement, the Security Documents and all other agreements and documentation delivered hereunder, including, without limitation, duly and punctually paying all amounts payable by the Borrower.
- (b) Compliance with Law: The Borrower shall comply, in all respects, with all Applicable Laws.
- (c) Compliance with Agreement: The Borrower shall carry out all of its obligations under this Agreement and any other agreements entered into by it with the Lenders, made by it in favour of the Lenders or assigned by it to the Lenders.
- (d) Material Adverse Change: The Borrower will provide the Lenders with prompt written notice and all records, statements or other evidence of any Material Adverse Effect or of any material loss, destruction, damage of or to any property referred to in or charged by any of the Security Documents.
- (e) Further Assurances: At any and all times the Borrower will do, execute, acknowledge and deliver all such further acts, deeds, conveyances, mortgages, transfers and assurances as the Lenders shall require for the purpose of giving, clarifying, perfecting and dealing with conflicting claims thereto, the validity, legality or enforceability of the mortgages, hypothecs, charges or security of the nature herein specified upon all property intended to be secured by the Security Documents and for the better assuring, conveying, mortgaging, hypothecating, assigning, confirming, pledging, charging and transferring unto the Lenders all the hereditaments and premises, estates and property mortgaged, hypothecated, pledged and charged under the Security Documents, or transferred, or intended to be or which the Borrower may hereafter become bound to mortgage, hypothecate, pledge or charge or transfer in favour of the Lenders and all choses in action and other intangibles to be secured in favour of the Lenders hereunder.
- (f) Permitted Encumbrances: The Borrower will keep and maintain each of the Permitted Encumbrances in good standing and will comply with the terms thereof and will forthwith notify the Lenders in writing describing in reasonable detail any defaults thereunder.
- (g) Payment of Obligations: The Borrower shall pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its debts and liabilities of whatever nature.
- (h) Notice: The Borrower shall give written notice of each of the following events to the Lenders promptly upon becoming aware of any such event:
  - (i) any Default or Event of Default;
  - (ii) any litigation or proceeding affecting it in which the portion of the alleged damages not fully covered by insurance is more than \$20,000.00 (or an equivalent amount in any other currencies) or in which any injunctive or similar relief is sought; and

- (iii) any event which has caused, or which has a reasonable possibility of causing, a Material Adverse Effect.
- (i) Proposal: The Borrower shall provide the Lenders with at least two Business Days' prior written notice of any proposal or of any Notice of Intention to Make a Proposal to Creditors or of any intention to make a filing under the Companies' Creditors Arrangement Act or similar legislation for effecting a compromise of claims of creditors or under any legislation which provides for a stay of proceedings by creditors.

## 5.2 Negative Covenants:

The Borrower covenants and agrees with the Lenders, that:

- (a) Transfer: Other than in the ordinary course of business, the Borrower shall not dispose of or transfer by way of sale, conveyance, assignment, mortgage, charge, security interest or otherwise or relocate, their undertakings, properties or assets or any part thereof or any of their interest therein or any part thereof, without the prior written consent of the Lenders.
- (b) Proposal: The Borrower shall not include in any proposal to creditors a proposal to the Lenders; provided that if the Borrower includes the Lenders in any such proposal to creditors, through inadvertence or otherwise, the Borrower hereby consents to an order for a declaration that the stay of proceedings provision of the *Bankruptcy and Insolvency Act (Canada)* no longer operates in respect of the Lenders and terminating any such stay against the Lenders.

## **ARTICLE 6** **EVENTS OF DEFAULT**

### 6.1 Events of Default:

Without in any way derogating from the rights of the Lenders hereunder, each of the following events shall constitute an event of default (an "**Event of Default**") under this Agreement:

- (a) if the Borrower fails to pay any amount of principal, interest, fee or other amount when due and payable under this Agreement, any of the Security Documents, or any other agreement between the Lenders and the Borrower and such default continues for three Business Days;
- (b) if any of the representations or warranties given by the Borrower in this Agreement or the Security Documents is or shall become untrue;
- (c) if the Borrower defaults in the observance or performance of any covenant or condition in this Agreement or in the Security Documents or any other agreement between the Lenders and the Borrower and such default continues for five Business Days;
- (d) if the Borrower commits an act of bankruptcy under the *Bankruptcy and Insolvency Act (Canada)* or takes action to become a voluntary bankrupt, or consents to the filing of a bankruptcy proceeding against it;

- (e) if any execution, sequestration, extent or other process of any court becomes enforceable against the Borrower or if any distress or analogous process is levied upon all of its properties or assets, or any material part thereof, as determined by the Lenders, or if any encumbrancer takes possession of all of its properties or assets or any material part thereof, as determined by the Lenders;
- (f) if the Borrower fails to pay when due, whether by acceleration or otherwise, the Loan Amount together with any interest accrued but unpaid thereon or any interest payments outlined in this Agreement or any costs and expenses or other amounts payable hereunder;
- (g) if there shall occur any event which has a Material Adverse Effect; and
- (h) if the Lenders in good faith believes and has commercially reasonable grounds to believe that the prospect of payment or performance of the all or any indebtedness, liabilities and other obligations of the Borrower to the Lenders hereunder or under the Security Documents or any other document delivered pursuant to, or arising from dealings between the Lenders and any other Person contemplated by this Agreement, whether actual or contingent, direct or indirect, matured or not, now existing or arising hereafter is or is about to be materially impaired or that the Lenders' security over the assets of the Borrower is or is about to be placed in jeopardy.

## **6.2 Remedies:**

Upon the occurrence of an Event of Default, in addition to the rights and remedies given it by this Agreement, and the Security Documents and all those allowed by all Applicable Laws, the Lenders may, at its sole option, declare the Loan, interest and any other sums due, owing or payable hereunder to be immediately due and payable, all without presentment, demand, protest, notice of dishonour or any other demand or notice whatsoever, all of which are expressly hereby waived by the Borrower. Thereafter, the Lenders may take all such steps and exercise all such remedies as may be permitted hereunder or in the Security Documents or by law or equity as it may deem necessary to protect and enforce its rights hereunder and to enforce and realize upon the Security Documents and any other security held by the Lenders. In doing so, the Lenders shall not be required to marshal its security in favour of payment of any other debt and shall be at liberty to realize its security without letters of any kind so long as it shall act reasonably save and except for such period of notice as may be reasonably necessary under the common law principle that a demand must be reasonable and a reasonable time given to meet it.

## **6.3 Remedies Cumulative:**

The rights and remedies of the Lenders under this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law; and any single or partial exercise by the Lenders of any right or remedy for a default or breach of any term, covenant, condition or agreement herein contained shall not be deemed to be a waiver of or to alter, affect or prejudice any other right or remedy or other rights or remedies, to which the Lenders may be lawfully entitled for the same default or breach and any waiver by the Lenders of the strict observance, performance or compliance with any term, covenant, condition or agreement herein contained, and any indulgence granted by the Lenders shall be of no effect unless given in writing and then shall only be effective for the specific instance given and shall not be deemed to be a waiver of any subsequent default. The Lenders may exercise all rights and remedies constituted

by, or provided for in, the Security Documents granted to the Lenders pursuant to or incidental to this Agreement. The Lenders may, to the extent permitted by applicable law, bring suit at law, in equity or otherwise, for any available relief or purpose including but not limited to:

- (a) the specific performance of or declaratory relief with respect to any covenant or agreement contained in this Agreement, the Security Documents or in any document given pursuant to or incidental to any of them;
- (b) an injunction against a violation of any of the terms thereof;
- (c) any action in aid of the exercise of any power granted hereby or by law; or
- (d) the recovery of judgment for any and all amounts due hereunder or under the Security Documents.

## **ARTICLE 7 INDEMNITY**

### **7.1 Indemnification:**

The Borrower does hereby agree that it will indemnify and hold harmless and pay promptly to the Lenders the amount of any Damages arising from or in connection with:

- (a) Breach of Representations or Warranties: Any breach of any representation or warranty in this Agreement or in the Security Documents;
- (b) Breach of Covenants: Any breach by the Borrower in the performance of its covenants or obligations in the Agreements or any of them or in any certificate or document delivered pursuant to the Agreements or any of them; and
- (c) Expressly Included Liabilities: Without restricting the generality of the foregoing, any liability, obligation, contract or commitment (whether known or unknown and whether absolute, accrued, contingent or otherwise) to the Lenders which may be implied by the facts or events which give rise to them, or arise under Applicable Law or otherwise, which, if borne by one or more of the Lenders, would result in the non-recovery of the Loan Amount plus interest and costs determined as if such facts or events had not occurred.

## **ARTICLE 8 GENERAL PROVISIONS**

### **8.1 Notices:**

Any notice, demand, request, consent, waiver, agreement or approval which may or is required to be given pursuant to this Agreement shall be in writing and shall be sufficiently given or made if served personally upon the party for whom it is intended, or transmitted by facsimile, or (except in the case of an actual or pending disruption of postal service) mailed by registered mail, and in the case of:

- (a) the Lenders, addressed to it at:

Samper Developments Ltd.  
25 Sable St.  
Toronto, ON M6M 3K8

Attention: Simon Yakubowicz  
Email: slysimon@aol.com  
Fax: (416) 231-2068  
Phone: (416) 787-6633 x201

and

Sky Ascent Financial Group Inc.  
7050 Weston Road, Suite 501  
Vaughan, ON L4L 8G7

Attention: Sal Santoro  
Email: [sal.santoro@techcomnet.com](mailto:sal.santoro@techcomnet.com)  
Fax: (905) 851-5829  
Phone: (905) 851-9194

(b) the Borrower addressed to it at:

XTM Inc.  
437, 67 Mowat Ave.  
Toronto, ON M6K 3E3

Attention: Marco Margiotta  
Email: mmargiotta@investechcap.com  
Phone: (416) 985-6272

Each party may, from time to time, change its address or stipulate another address from the address described above in the manner provided in this section. The date of receipt of any such notice, demand, request, consent, agreement or approval, if served personally, shall be deemed to be the date of delivery thereof, if transmitted by facsimile, the date of receipt shall be deemed to be the first Business Day after transmission, or if mailed as aforesaid, the date of receipt shall be deemed to be the fourth Business Day following the date of mailing. If on the date of mailing or on or before the fourth Business Day thereafter, there is a general interruption in the operation of postal service in Canada which does or is likely to delay delivery by mail, to the extent possible the communications aforesaid shall be served personally or by facsimile transmission.

## **8.2 Waiver:**

No consent or waiver, express or implied, by Lenders to or of any breach or default by the Borrower in performance of its obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance by it of its obligations hereunder. Failure on the part of the Lenders to complain of any act or failure to act of the Borrower or to declare the Borrower in default, irrespective of how long such failure continues, shall not constitute a waiver by the Lenders of its rights hereunder in such instance or in any subsequent instance.

### **8.3 Amendments:**

This Agreement may not be modified or amended except with the written consent of the Lenders and the Borrower.

### **8.4 Entire Agreement:**

This Agreement, the schedule attached hereto, the documents required to be delivered hereunder and the Security Documents shall constitute the entire agreement between the Lenders and the Borrower pertaining to the Loan and shall supersede all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, relating thereto and there are no warranties, representations or other agreements between the Lenders and the Borrower in connection with the Loan except as specifically set forth in this Agreement and in the Security Documents.

### **8.5 Assignment:**

Neither this Agreement nor any right or obligation herein may be assigned by either party without the prior written consent of the other party. This Agreement shall enure to the benefit of and is binding upon the parties and their respective successors and permitted assigns.

### **8.6 No Merger:**

The taking of any judgment or judgments on any of the covenants herein contained or contained in any Security Documents or the collection or realization of any security shall not operate as a merger or affect the Lenders' rights to interest at the rate and in the same manner as herein provided.

### **8.7 No Limitation:**

None of the obligations of the Borrower hereunder or under any of the Security Documents shall be released or diminished in whole or in part because of any lack of capacity or authorization or any defect or error in or execution of this Agreement or any Security Documents or any other matter or thing whatsoever.

### **8.8 Rights, Powers and Remedies:**

Each right, power and remedy of the Lenders provided in this Agreement, in the Security Documents or available at law or in equity or in any other agreement shall be separate and in addition to every other such right, power and remedy. Any one or more and/or any combination of such rights, remedies and powers may be exercised by the Lenders from time to time and no such exercise shall exhaust the rights, remedies or powers of the Lenders or preclude the Lenders from exercising any one or more of any such rights, remedies and powers or any combination thereof from time to time thereafter or simultaneously.

### **8.9 Survival:**

All covenants, undertakings, agreements, representations and warranties made by the Borrower in this Agreement, the Security Documents and any certificates, reports, statements, information, data, documents or instruments delivered pursuant to or in connection with the Loan this Agreement or any of the Security Documents shall survive the execution and delivery of this



Agreement the Security Documents, and shall continue in full force and effect until the Loan Amount and all other amounts payable by the Borrower to the Lenders is paid in full. All representations and warranties made by the Borrower in writing shall be deemed to have been relied upon by the Lenders.

**8.10 Conflict:**

If a conflict or inconsistency exists between a provision of any of the Security Documents and a provision of this Agreement, the provisions of this Agreement shall prevail to the extent necessary to remove such conflict. If there is a representation, warranty, covenant, agreement or event of default contained in any Security Document, which is not contained in this Agreement, or vice versa, such additional provision shall not constitute a conflict but shall be valid and enforceable in accordance with its terms.

**8.11 Severability:**

If any provision of this Agreement or any Security Document shall be held invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall attach only to such provision and shall not affect any or all other provisions of this Agreement or any Security Documents and where necessary, shall be construed as if such invalid, illegal or unenforceable provision had never been contained therein; provided, however, that such provision shall not be by reason thereof be invalid, illegal or unenforceable in any other jurisdiction in which no such impediment exists.

**8.12 Successors and Assigns:**

Subject to Section 8.5 of this Agreement, this Agreement and each of the covenants, warranties and representations herein contained or in any certificates delivered in connection herewith by the Borrower shall enure to the benefit of and be binding upon the Lenders and the Borrower and their respective successors and assigns.

**8.13 Governing Law:**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the courts of the Province of Ontario shall have exclusive jurisdiction to determine any matter, dispute or cause arising hereunder.

**8.14 Time of Essence:**

Time is of the essence of this Agreement and shall continue to be of the essence.

**8.15 Headings and Interpretation:**

The insertion in this Agreement of headings is for convenience of reference only and shall not affect the construction, meaning, intent or interpretation of any provision.

**8.16 Number and Gender:**

All nouns and personal pronouns relating thereto shall be read and construed as the number and gender may require and the verb shall be read and construed as agreeing with the noun and pronoun. All obligations, documents, representation and warranties of the Borrower shall be joint and several so that the performance of same by the Borrower shall constitute performance per

se by the other unless a different interpretation is required in order for the particular event to have meaning in the context.

**8.17 Counterparts:**

This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile transmission or any electronic means that reproduces an image of the actual executed signature page shall be effective as delivery of a manually executed counterpart of this Agreement.

**8.18 Currency:**

All dollar amounts referred to in this Agreement are expressed in Canadian Dollars.

**8.19 Expenses:**

The Borrower shall be responsible for all legal, financial, facilitation and other advisory fees and disbursements and out-of-pocket expenses, on a full indemnity basis, of the Lenders in connection with the transaction contemplated in this Agreement including, but not limited to, all fees incurred by Lenders in connection with the preparation of this Agreement, the Security Documents, any protective disbursements, all court attendances in Canada or elsewhere and any proceedings taken to enforce the Lenders' rights and remedies. Any fees or expenses not paid when due shall bear interest from the date due until paid in full at the same rate applicable to the principal amount outstanding under the Loan under Section 2.2.

**8.20 Independent Legal Advice**

The Borrower acknowledges that it has read and understands the terms and conditions of this Agreement and acknowledges and agrees that it has had the opportunity to seek, and was not prevented or discouraged by any other party hereto from seeking, any independent legal advice which it considered necessary before the execution and delivery of this Agreement and that, if it did not avail itself of that opportunity before signing this Agreement, it did so voluntarily without any undue pressure, and agrees that its failure to obtain independent legal advice will not be used by it as a defence to the enforcement of its obligations under this Agreement.

**[SIGNATURES CONTAINED ON THE FOLLOWING PAGE]**



## SCHEDULE "1"

### PERMITTED ENCUMBRANCES

#### PART 1 - GENERAL PERMITTED ENCUMBRANCES

1. Liens for security given to a public authority or any municipality or government or other public authority when required by statutory or regulatory obligation in connection with the operation of the Borrower's business in the ordinary course of the operation of that business, which do not, in the aggregate, materially interfere with the ordinary course of conduct of the Borrower's business;
2. Liens for taxes, assessments, governmental charges or levies not at the time due or delinquent according to law;
3. Liens securing obligations not yet due and payable under the unemployment insurance legislation, workers' compensation programs, and other social security legislation;
4. Liens:
  - (a) Securing public or statutory obligations of the Borrower;
  - (b) Constituting deposits securing, or in lieu of, surety, appeal or custom bonds in proceedings to which the Borrower is a party;
  - (c) Securing bids, tenders, contracts (other than contracts for the payment of money); provided in each such case that such liens are not registered against title to any real or personal property of the Borrower;
  - (d) Carriers', warehousemen's, mechanics', materialmen's, repairmen's, construction or other similar Liens arising in the ordinary course of business which relate to obligations not overdue; and
  - (e) Liens created by the Security Documents.

**PART 2 – SPECIFIC PERMITTED ENCUMBRANCES**

Such security interests and Encumbrances set out in the attached Enquiry Result.