

APPENDIX 'A'
Major terms and Conditions
Lease of 388 Evans Avenue

Landlord:

City of Toronto

Tenant:

Sydney R. Stone & Co. Ltd.

Premises:

Comprising an area of approximately 7,500 square feet, on the ground floor of the building municipally known as 388 Evans Avenue, Toronto (former City of Etobicoke), Ontario. The premises are being leased on an "as is, where is" basis. Any changes, improvements or alterations will be at the Tenant's sole cost, subject to the Landlord's prior written approval, which will not be unreasonably withheld.

Commencement Date:

The Commencement Date shall be November 1, 2008.

Term:

The Term of the Lease shall be five (5) years from the Commencement Date.

Annual Net Basic Rent:

The Annual Net Basic Rent per square foot of gross leasable area shall be payable monthly in advance, without deduction, and will be charged on the Premises at the rate of:

\$5.85 net per square foot annually or \$3,656.25 plus GST per month or \$43,875.00 plus GST annually. The tenant shall be provided a one (1) month net rent free period for the 1st month of the term.

Net Lease:

The Lease shall be entirely **Net** to the Landlord, and the Tenant shall be responsible for all charges, impositions, expenses of every nature and kind, including realty taxes, building insurance, utilities, operating costs, repair and maintenance costs, including repair and maintenance heating, ventilation and air-conditioning equipment, exterior maintenance and repair, gardening and snow removal.

Use:

The Leased Premises shall be used only for the storage, repair and sale at wholesale of machinery and supplies for the graphic arts industry, and for no other purpose. The Tenant shall operate its business in the Leased Premises continuously throughout the Term. The Tenant shall not permit to store or use any hazardous or environmentally sensitive materials in the premises and the property.

Zoning & Other Regulations:

The Tenant must satisfy itself, at its own expense that its intended use or any renovation of the Leased Premises complies with the existing Zoning Bylaw, Building Code, Ontario Fire Code and all other rules and regulations.

Post-dated cheques or pre-authorized payments:

Prior to each year of the Term, the Tenant shall provide a series of 12 monthly post-dated cheques, each cheque in the amount of the monthly installment of Basic Rent and any estimated Additional Rent (if applicable), or if requested by the Landlord, shall arrange to pay the same by pre-authorized bank payment.

NSF Charges:

The Tenant will pay Thirty-Five dollars (\$35.00) for every cheque that is not honoured by the bank on which it is drawn (the "NSF Fee"). The NSF Fee may be increased from time to time by the Landlord so that it is equal to the fee charged by the Landlord in respect of cheques tendered in payment of municipal tax and water charges that are not honoured by the banks on which they are drawn.

Late Payment Charges:

For any late amount by the Tenant, interest on the amount outstanding from time to time shall bear simple interest at the rate of 1.25% per month (15% per year). Subject to City Council approval, the default rate of interest may be increased by the Landlord from time to time, by notice to the Tenant.

Option to Renew:

Provided that the Tenant is not in default and has not been in default during the Term, then, upon delivery of written notice exercising this right given to the Landlord not more than Twelve (12) months and not less than Six (6) months before the expiration of the Term, the Tenant shall have the right to extend the Term of the Lease for the whole of the Premises for a period of Five (5) years (the "**Extended Term**"). The Extended Term shall be on the same terms and conditions as the Term save and except:

- (1) there will be no further right to extend the Term;
- (2) the Basic Rent for the Extended Term shall be the then fair market basic rent rate for comparable premises in the area, to be agreed upon by both parties, both acting reasonably, provided that in no event shall such rate be less than the Basic Rent payable during the last twelve (12) month period immediately preceding the commencement of the Extended Term; and
- (3) there shall be no leasehold improvement allowance, Landlord's Work, rent free period or other inducements.

The parties shall execute a Lease Extension Agreement prepared by the Landlord to reflect the terms of the Extended Term.

Overholding

If, at the expiration of the Term or any extension or renewal thereof, the Tenant remains in possession of the Premises with the consent of the City but without any further written agreement, the Tenant shall be deemed to be a monthly Tenant only at a Net Basic Rent payable monthly in advance at 1.25 times the rate payable at the expiration of the Term or renewal term, which tenancy may be terminated on one (1) month's notice and otherwise upon and subject to the terms and conditions contained in this Lease.

Early Termination:

The Landlord shall have the right to terminate the Lease at any time during the Term (or during any extension of the Term), for any reason whatsoever, upon providing the Tenant six (6) month's prior written notice.

The Tenant shall have the right to terminate the Lease upon providing the Landlord one (1) year's prior written notice. The Tenant's notice of termination cannot be delivered prior to November 1st, 2010.

Assignment & Transfers:

The Tenant agrees that its rights under the Lease shall not be assignable or otherwise transferable by the Tenant without the prior written consent of the Landlord, which consent may be unreasonably withheld.

Insurance:

The Tenant is to provide prior to the commencement of the term of this agreement and on an annual basis, proof of insurance in accordance with the Landlord's insurance requirements outlined in the Lease.

Documentation:

The Lease or Lease Amending Agreement shall be prepared by the Landlord, incorporating the terms of this proposal. Within thirty (30) days after receipt of the Lease (or Lease Amending Agreement), the Tenant shall execute the same. The Tenant acknowledges that this agreement contains the basic terms and conditions upon which the Landlord will lease the Premises to the Tenant, and that supplementary terms and conditions and revisions to the terms and conditions of this agreement shall be contained in the Lease (or Lease Amending Agreement). Notwithstanding any terms and conditions contained or not contained in this proposal, all documentation shall be in a form and content satisfactory to the City Solicitor.

HVAC Units:

The existing HVAC units currently installed at the building 388 Evans Avenue, will remain at the building should the Tenant vacate the premises.