

ITECH MEDICAL, INC.

as Borrower,

BIOFLEX MEDICAL MAGNETICS, INC.

as Guarantor,

and

OVID CAPITAL VENTURES INC.

as Lender

LOAN AGREEMENT

November 8, 2013

AMENDED AND RESTATED LOAN AGREEMENT

This Amended and Restated Loan Agreement is made and entered into as of this 8th day of November, 2013 (the “**Effective Date**”) by and among iTech Medical, Inc., a Delaware corporation, as Borrower, BIOFlex Medical Magnetics, Inc., a Florida corporation, as Guarantor, and Ovid Capital Ventures Inc., as Lender (this “**Agreement**”).

RECITALS

WHEREAS the Borrower and the Lender have entered into a letter of intent (the “**LOI**”) dated April 18, 2013, setting out the basic terms and conditions upon which the parties will combine business operations (the “**Transaction**”); and

WHEREAS the Lender is a “capital pool company” and the Transaction is intended to serve as the Lender’s qualifying transaction (“**Qualifying Transaction**”), as such term is defined pursuant to Policy 2.4 – *Capital Pool Companies* of the TSX Venture Exchange (“**TSX-V**”); and

WHEREAS the acceptance of the LOI will be followed by the negotiation of definitive documentation setting forth the detailed terms of the Qualifying Transaction; and

WHEREAS the Transaction will result in the reverse takeover of the Lender by the Borrower and the listing for trading of the shares of the resulting issuer on the TSX-V as of the effective time of the Transaction; and

WHEREAS the Lender has previously made a loan to the Borrower in the principal amount of \$125,000 (the “**Original Loan**”), evidenced by a certain Loan Agreement dated as of July 3, 2013 by and among the Borrower, the Guarantor and the Lender (the “**Original Loan Agreement**”); and

WHEREAS the obligations of the Borrower and the Guarantor under the Original Loan Agreement are secured by a lien on all of the assets of the Borrower and the Guarantor, pursuant to the terms of a certain Security Agreement dated as of July 3, 2013 by and among the Borrower, the Guarantor and the Lender (the “**Original Security Agreement**”); and

WHEREAS the Borrower has requested from the Lender, and the Lender has agreed to provide the Borrower, a loan in the principal amount of \$100,000 (the “**Additional Loan**” and, together with the Original Loan, the “**Loans**”); and

WHEREAS, the Guarantor is a wholly owned subsidiary of the Borrower; and

WHEREAS, the Guarantor has agreed to guarantee the obligations of the Borrower with respect to the Additional Loan; and

WHEREAS the Lender has agreed to provide the requested Additional Loan to the Borrower subject to the terms and conditions of this Agreement; and

WHEREAS, the parties have agreed to amend and restate in its entirety the Original Loan Agreement;

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the Borrower, the Guarantor and the Lender hereby agree to amend and restate the Original Loan Agreement as follows:

ARTICLE 1 INTERPRETATION

Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

“**Additional Loan**” means the non-revolving loan in the principal amount of \$100,000 made available to the Borrower by the Lender on the terms specified in ARTICLE 2.

“**Additional Loan Maturity Date**” means the earlier of: (i) November 8, 2014, unless otherwise extended pursuant to Section 2.2 of this Agreement; (ii) five (5) Business Days after receipt of the final approval of the TSX V for the completion of the Transaction, unless otherwise extended pursuant to Section 2.2 of this Agreement; (iii) five (5) Business Days after the date on which the Lender decides not to proceed with the Transaction; or (iv) the date on which the Additional Loan is accelerated by the Lender upon an Event of Default.

“**Affiliate**” means, with respect to any Person, another Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified.

“**Amended and Restated Security Agreement**” means that certain Amended and Restated Security Agreement of even date by and among the Borrower, the Guarantor and the Lender.

“**Applicable Maturity Date**” means the Additional Loan Maturity Date or the Original Loan Maturity Date, as applicable.

“**Borrower**” means iTech Medical, Inc., a Delaware corporation or any successor thereto.

“**Business Day**” means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Montreal, Québec.

“**Default**” means an event or circumstance which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

“**Effective Date**” has the meaning specified in the Recitals to this Agreement.

“**Event of Default**” has the meaning specified in Section 6.1.

“**Funded Debt**” means: (i) all indebtedness of the Borrower for or in respect of borrowed money, bankers acceptances, letters of credit or letters of guarantee; (ii) all indebtedness of the Borrower for the deferred purchase price of property or services represented by a note, bond, debenture or other evidence of indebtedness; (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by the Borrower (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (iv) all current liabilities of the Borrower represented by a note, bond, debenture or other evidence of indebtedness; (v) all obligations under leases which have been or should be, in accordance with GAAP, recorded as capital leases in respect of which the Borrower is liable as lessee; and (vi) the amount of any liability (current, contingent or otherwise) in respect of any guarantee for any of the items referred to above.

“**Guarantor**” means BIOFlex Medical Magnetics, Inc., a Florida corporation and any successor thereto.

“**GAAP**” means (i) in relation to any period ending on or prior to December 31, 2010, Canadian generally accepted accounting principles as provided in the Handbook of the Canadian Institute of Chartered Accountants from time to time; and (ii) in relation to any other period, the International Financial Reporting Standards, which are the accounting standards and interpretations adopted by the International Accounting Standards Board, consistently applied.

“**Guaranty Agreement**” shall mean the guarantee by the Guarantor of the Obligations as set forth in Article VIII of this Agreement.

“**Governmental Entity**” means (i) any international, multinational, national, federal, provincial, state, municipal, local or other governmental or public department, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the above; (iii) the TSX-V or any other stock exchange; and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

“**Indemnified Person**” has the meaning specified in Section 8.5.

“**Lender**” means Ovid Capital Ventures Inc. or any successor thereto.

“**Lien**” means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation.

“**Loans**” means the Original Loan and the Additional Loan.

“**Loan Documents**” means this Agreement, the Original Loan Agreement, the Security Documents, and any other documents delivered in connection with this Agreement.

“**LOI**” means the letter of intent between the Lender and the Borrower executed on April 18, 2013, setting out the basic terms and conditions upon which the parties will combine business operations.

“**Material Adverse Effect**” means a material adverse effect on the business, operations, results of operations, prospects, assets, liabilities or financial condition of the Borrower or any of its Subsidiaries.

“**Material Agreement**” means any contract or agreement to which the Borrower or any of its Subsidiaries is a party or by which they are bound, the termination or cancellation of which (prior to the scheduled termination date) could have a Material Adverse Effect.

“**Obligations**” shall mean all amounts owing by the Borrower and the Guarantor to the Lender, pursuant to or in connection with this Agreement, the Original Loan Agreement, the Amended and Restated Security Agreement or any other Loan Document, including, without limitation, (a) all principal and interest, (b) all fees, expenses, indemnification payments, costs and expenses (including all fees and expenses of counsel to the Lender, incurred pursuant to this Agreement or any other Loan Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, and (c) all obligations and liabilities incurred in connection with collecting and enforcing the foregoing, together with all renewals, extensions, modifications or refinancings thereof.

“Office Equipment Indebtedness” means any obligations in respect of operating leases or indebtedness related to the acquisition of photocopiers, telephone systems or other office equipment.

“Original Loan” means the non-revolving loan in the principal amount of \$125,000 previously made to the Borrower by the Lender under the Original Loan Agreement.

“Original Loan Maturity Date” means the earlier of: (i) June 30, 2014, unless otherwise extended pursuant to Section 2.2 of this Agreement; (ii) five (5) Business Days after receipt of the final approval of the TSX V for the completion of the Transaction, unless otherwise extended pursuant to Section 2.2 of this Agreement; (iii) five (5) Business Days after the date on which the Lender decides not to proceed with the Transaction; or (iv) the date on which the Additional Loan is accelerated by the Lender upon an Event of Default.

“Permitted Issuance” means the rights, warrants, other agreements or proposed other agreements as listed in Schedule D which contemplate the issuance of any common shares or other equity interest of the Borrower.

“Permitted Liens” means any one or more of the following:

(a) Liens for taxes, assessments or governmental charges or levies which are not delinquent or the validity of which is being contested at the time by the Borrower in good faith by proper legal proceedings if, in the Lender’s opinion, reasonably determined adequate provision has been made for payment;

(b) Inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of construction, maintenance, repair or operation of assets of the Borrower, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any assets of the Borrower and in respect of which adequate holdbacks are being maintained as required by applicable law or such Liens are being contested in good faith by appropriate proceedings and in respect of which there has been set aside a reserve (segregated to the extent required by GAAP) in an adequate amount and provided further that such Liens do not, in the Lender’ reasonable opinion, reduce the value of the asset so affected or materially interfere with the use of such asset in the operation of the business of the Borrower;

(c) The right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Borrower, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

(d) Liens relating to Office Equipment Indebtedness, provided that (i) any such Lien is confined solely to the asset being purchased or leased by way of the applicable Office Equipment Indebtedness, and (ii) the aggregate of such Liens do not secure liabilities greater than \$20,000;

(e) The Liens listed in Schedule “A” hereto; and

(f) Liens in favour of the Lender created pursuant to the Security Documents.

“Person” means a natural person, partnership, corporation, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity and pronouns have a similarly extended meaning.

“**Qualifying Transaction**” has the meaning ascribed thereto in Policy 2.4 of the TSX-V.

“**Security Documents**” means (i) the Amended and Restated Security Agreement; (ii) the Original Security Agreement, and (iii) any other document delivered by the Borrower and the Guarantor to the Lender in connection with this Agreement pursuant to which the Borrower and the Guarantor grants a security interest in any of its assets to the Lender.

“**Subsidiary**” or “**Subsidiaries**” means the Guarantor and any other subsidiaries of the Borrower as listed in Schedule “B”.

“**Transaction**” has the meaning specified in the recitals to this Agreement.

“**Transaction Agreements**” means the LOI together with any other final documentation executed by the Borrower and the Lender in connection with the Transaction.

“**TSX-V**” means the TSX Venture Exchange.

Section 1.2 Gender and Number.

Any reference in the Loan Documents to gender includes all genders and words importing the singular number only include the plural and *vice versa*.

Section 1.3 Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect the interpretation of this Agreement.

Section 1.4 Currency.

All references in the Loan Documents to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.

Section 1.5 Certain Phrases, etc.

In any Loan Document (i) (y) the words “**including**” and “**includes**” mean “**including (or includes) without limitation**” and (z) the phrase “**the aggregate of**”, “**the total of**”, “**the sum of**”, or a phrase of similar meaning means “**the aggregate (or total or sum), without duplication, of**”; and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “**from**” means “**from and including**” and the words “**to**” and “**until**” each mean “**to but excluding**”.

Section 1.6 Accounting Terms.

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with GAAP.

Section 1.7 Conflict.

The provisions of this Agreement shall prevail in the event of any conflict or inconsistency between its provisions and the provisions of any of the other Loan Documents.

ARTICLE 2

THE LOANS

Section 2.1 Acknowledgement of Original Loan.

- (a) The Borrower acknowledges that it previously received the Original Loan on July 3, 2013.
- (b) The Original Loan does not revolve and any amount repaid or prepaid thereunder, as the case may be, cannot be re-borrowed and reduces the Original Loan by the amount repaid or prepaid, as the case may be.

Section 2.2 Availability of Additional Loan.

- (a) The Lender agrees, on the terms and subject to the conditions of this Agreement, to make the Additional Loan available to the Borrower on the Effective Date.
- (b) The Additional Loan does not revolve and any amount repaid or prepaid thereunder, as the case may be, cannot be re-borrowed and reduces the Additional Loan by the amount repaid or prepaid, as the case may be.

Section 2.3 Repayment of Principal and Interest Payments.

- (a) The principal amount of the Loans outstanding from time to time shall bear interest at the rate of 6% per annum.
- (b) Interest shall accrue daily and shall be calculated and payable on the Applicable Maturity Date, in arrears.
- (c) The outstanding principal amount of the Loans together with all accrued and unpaid interest shall become due and payable on the Applicable Maturity Date, unless otherwise accelerated hereunder.
- (d) The Borrower and the Lender may extend the Applicable Maturity Date by written mutual consent.

Section 2.4 No Prepayment Without Consent.

Unless written consent is provided by the Lender, the Borrower shall not be permitted to prepay the whole or any portion of the Loans at any time. No amount prepaid may be re-borrowed and the Loans shall be permanently reduced by the amount of any such prepayment.

Section 2.5 Payments under this Agreement.

- (a) The Borrower shall make any payment required to be made by it to the Lender by depositing the amount of the payment to an account specified by the Lender not later than 10:00 a.m. (Montreal time) on the date payment is due.
- (b) All amounts owed by the Borrower to the Lender, which are not paid when due (whether at the Applicable Maturity Date, on demand, by acceleration or otherwise) shall bear interest (both before and after default and judgment), from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the interest rate

applicable to the Loans, as set out in Section 2.3(a), plus 6% per annum.

Section 2.6 Computations of Interest.

(a) All computations of interest shall be made by the Lender taking into account the actual number of days occurring in the period for which such interest is payable, on the basis of a year of 365 days.

(b) For purposes of the *Interest Act* (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year of 365 days, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (1) the applicable rate based on a year of 365 days, (2) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (3) divided by 365; (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement; and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

Section 2.7 Use of Proceeds.

The Borrower shall use the proceeds of the Loans only (i) for general corporate purposes in conducting its business and that of its Subsidiary in the ordinary course, and (ii) to advance professional fees to its auditors and other professional advisors in order to prepare the necessary audited statements of the Borrower and each of its subsidiaries in connection with the Transaction. In no other circumstances shall the Borrower distribute any proceeds of the Loans to any Subsidiary or shareholder for any purpose whatsoever.

ARTICLE 3 CONDITIONS OF LENDING

Section 3.1 Conditions Precedent to the Additional Loan Advance.

The obligation of the Lender to advance the Additional Loan is subject to fulfilment of the following conditions precedent:

(a) No Default or Event of Default has occurred or would arise immediately after giving effect to or as a result of advancing the Additional Loan;

(b) Neither the Additional Loan nor the Transaction will violate any applicable law, order or judgment;

(c) The representations and warranties of the Borrower and the Guarantor contained in Section 4.1 of this Agreement are true and correct;

(d) The Lender has received, in form, substance, scope and dated a date satisfactory to them and their counsel:

(i) Certified copies of (x) the constating documents of the Borrower and the Guarantor (y) all resolutions of the board of directors of the Borrower and the Guarantor, approving the Additional Loan, the Transaction and other matters contemplated by this Agreement, the Security Documents and the Transaction Agreements; and (z) a list of the officers and directors authorized to sign agreements together with their specimen signatures;

(ii) A certificate of status, compliance or like certificate with respect to the Borrower and the Guarantor, issued by the appropriate Governmental Entity of the jurisdiction of its incorporation and of each jurisdiction in which it owns any material assets or carries on any material business;

(iii) Evidence of registration of the Security Documents ranking in priority to all Liens other than Permitted Liens in such jurisdictions as the Lender may require;

(iv) Such other certificates and documentation as the Lender may reasonably request;

(e) Receipt by the Lender of approval from the TSX-V with respect to the Additional Loan;

(f) There shall be no:

(i) legal proceeding or regulatory action actions against the Borrower, the Guarantor or any other Subsidiary, or

(ii) inquiry or investigation (whether formal or informal) in relation to the Borrower, the Guarantor, any other Subsidiary, or their respective directors or officers, commenced or threatened by any securities commission or official of the TSX-V or regulatory body having jurisdiction; and

(g) No Material Adverse Effect shall have occurred.

The conditions precedent set forth above are for the sole benefit of the Lender. The Lender may refuse to proceed with the Additional Loan if such conditions precedent are not fulfilled to the Lender's reasonable satisfaction prior to the advance of the Additional Loan and, except as otherwise provided herein, the Lender shall incur no liability to the Borrower by reason of such refusal.

The conditions precedent set forth above may be waived in whole or in part by the Lender in the Lender's sole and absolute discretion. No such waiver shall be of any effect unless it is in writing and signed by the Lender.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties.

The Borrower and the Guarantor, jointly and severally, represent and warrant to the Lender, acknowledging and confirming that the parties are relying on such representations and warranties without independent inquiry in entering into this Agreement and providing the Loans that:

(a) **Incorporation and Qualification.** The Borrower is a corporation organized and validly existing under the laws of the State of Delaware. The Guarantor is a corporation organized and validly existing under the laws of the State of Florida. The Borrower and each Subsidiary are qualified, licensed or registered to carry on business under the laws applicable to it in all jurisdictions in which such qualification, licensing or registration is necessary;

(b) **Corporate Power.** The Borrower and each Subsidiary have all requisite corporate power and authority to (i) carry on its business as now being conducted by it; and (ii) enter into and perform its obligations under the Loan Documents to which it is a party;

(c) **Conflict with Other Instruments.** The execution and delivery by the Borrower and the Guarantor, and the performance of its obligations under, and compliance with the terms, conditions and provisions of, the Loan Documents will not (i) conflict with or result in a breach of any of the terms or conditions of (w) its constating documents, (x) any applicable law, rule or regulation, (y) any contractual restriction binding on or affecting it, or (z) any judgment, injunction, determination or award which is binding on it; or (ii) result in, require or permit (p) the imposition of any encumbrance in, on or with respect to any of its assets or property (except in favour of the Lender under the Loan Documents), (q) the acceleration of the maturity of any Funded Debt binding on or affecting it, or (r) any third party to terminate or acquire rights under any Material Agreement;

(d) **Corporate Action, Governmental Approvals, etc.** The execution and delivery of each Loan Document by the Borrower and the Guarantor, and the performance by the Borrower and the Guarantor of their obligations thereunder, has been duly authorized by all necessary corporate action;

(e) **Execution and Binding Obligation.** The Loan Documents have been duly executed and delivered by the Borrower and the Guarantor, and constitute legal, valid and binding obligations of the Borrower and the Guarantor, enforceable against the Borrower and the Guarantor, in accordance with its terms, subject only to any limitation under applicable laws relating to (i) bankruptcy, insolvency, arrangement or creditors rights generally; and (ii) the discretion that a court may exercise in the granting of equitable remedies;

(f) **Authorizations, etc.** The Borrower and each Subsidiary possess all authorizations, permits, consents, registrations and approvals necessary to properly conduct its businesses at full operating capacity and to enter into and perform its obligations pursuant to the Loan Documents to which it is a party and all such authorizations, permits, consents, registrations and approvals are in good standing and in full force and effect;

(g) **Ownership and Use of Property.** The Borrower and each Subsidiary has good and marketable title to all personal and movable property (free and clear of any Liens other than Permitted Liens) reflected as assets in its books and records. The Borrower and each Subsidiary own, lease or have the lawful right to use all of the assets necessary to conduct its businesses at full operating capacity;

(h) **Ownership of Subject Properties.** The Borrower and each Subsidiary (i) do not own any real or immovable property; and (ii) are not bound by any agreement to own or lease any real or immovable property other than leased premises at the following locations:

(i) in the case of the Borrower, 17011 Beach Blvd., Suite 900, Huntington Beach, CA 92647; and

(ii) in the case of BIOflex Medical Magnetics, Inc., 3370 NE 5th Avenue, Oakland Park, Fl. 33334;

(i) **Compliance with Laws.** The Borrower and each Subsidiary are in compliance with all Material Contracts and with all applicable laws, judgments and orders and rulings, guidelines and decisions having force of law;

(j) **No Default.** The Borrower and each Subsidiary are not in violation of their respective constating documents, applicable shareholders' agreement(s) or Material Agreements;

(k) **No Material Adverse Agreements.** The Borrower and each Subsidiary are not party to any agreement or instrument or subject to any restriction (including any restriction set forth in its

constating documents, any shareholders' agreement applicable to it or any Material Agreement) which has or may have a Material Adverse Effect;

(l) **Tax Liability.** The Borrower and each Subsidiary have (i) filed all tax and information returns which are required to be filed; and (ii) paid all taxes, interest and penalties, if any, which have become due pursuant to such returns or pursuant to any assessment received by any of them other than those in respect of which liability based on such returns is being contested in good faith and by appropriate proceedings where adequate reserves have been established in accordance with GAAP, except as disclosed in Schedule "E". Adequate provision for payment has been made for taxes not yet due. There are no tax disputes existing or pending involving the Borrower or any Subsidiary which could reasonably be expected to have a Material Adverse Effect;

(m) **Corporate Structure.** At the date of this Agreement:

(i) there is one Subsidiary of the Borrower as set out in Schedule "D";

(ii) except as contemplated by the Permitted Issuances, there are no outstanding warrants, options, other agreements or proposed other agreements which require or may require the issuance of any equity interests of the Borrower or any Subsidiary, or the issuance of any debt or securities convertible into equity interests of the Borrower or any Subsidiary, and there are no outstanding debts or securities convertible into equity interests of the Borrower or any Subsidiary; and

(iii) the Borrower and each Subsidiary are not, directly or indirectly, members of, or a partner or participant in, any partnership, joint venture or syndicate;

(n) **Funded Debt.** As of the date hereof, the Borrower has no Funded Debt other than as set out in Schedule "C" to this Agreement.

(o) **Proposed Debt.** The Borrower does not plan to undertake any further Funded Debt;

(p) **Insurance.** The Borrower and each Subsidiary maintain insurance of types and in amounts which are customarily maintained by corporations carrying out similar businesses;

(q) **Affiliate Transactions.** The Borrower and each Subsidiary are not conducting, permitting or suffering to be conducted, any transaction with any Affiliate;

(r) **No Liabilities.** Except as reflected or reserved against in the balance sheet of the financial statements as at December 31, 2012, the Borrower has no liabilities or obligations of any nature (whether absolute, accrued, contingent or otherwise) except for current liabilities incurred in the ordinary course since December 31, 2012; and

(s) **Disclosure.** All (i) forecasts and projections supplied to the Lender were prepared in good faith, adequately disclosed all relevant assumptions and are reasonable; and (ii) other written information supplied to the Lender is true and accurate in all material respects. There is no fact known to the Borrower which could reasonably be expected to have a Material Adverse Effect and which has not been fully disclosed to the Lender. No event has occurred which could be reasonably anticipated to have a Material Adverse Effect since the date of last financial statements delivered to the Lender.

Section 4.2 Survival of Representations and Warranties.

The representations and warranties in this Agreement and in any certificates or documents

delivered to the Lender shall not merge in or be prejudiced by and shall survive the advance of the Loans and shall continue in full force and effect so long as any amounts are owing by the Borrower to the Lender under this Agreement.

ARTICLE 5 COVENANTS OF THE BORROWER

Section 5.1 Affirmative Covenants.

So long as there remains any outstanding amount owing to the Lender under the Loans or the Lender has any obligation under this Agreement, and unless consent is given in accordance with Section 8.1, the Borrower and the Guarantor shall, and shall cause each other Subsidiary to:

- (a) **Corporate Existence.** Preserve and maintain its corporate existence;
- (b) **Compliance with Laws, etc.** Comply with the requirements of all applicable laws, judgments, orders, decisions, awards, Material Agreements and Loan Documents to which it is a party;
- (c) **Payment of Taxes and Claims.** Pay when due, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any other property belonging to the Borrower; and (ii) all claims which, if unpaid, might by law become a Lien upon the assets, except any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and in respect of which the Borrower or a Subsidiary, as applicable, has established adequate reserves in accordance with GAAP or which are Permitted Liens;
- (d) **Keeping of Books.** Keep proper books of record and account, in which full and correct entries shall be made in respect of its respective businesses and operations;
- (e) **Notice of Default.** Give notice to the Lender as soon as it becomes aware of any Default or Event of Default or any event or circumstance which could have a Material Adverse Effect;
- (f) **Maintenance of Insurance.** Maintain insurance at all times with responsible insurance carriers and in such amounts and covering such risks as are usually carried by companies engaged in similar businesses as the Borrower or any Subsidiary, as applicable;
- (g) **Purpose of Credit Facility.** Ensure that the Loans shall be used only by the Borrower for the purposes set out in Section 2.7 hereto;
- (h) **Ordinary Course.** Conduct its business in a manner consistent with the past practices, and in the ordinary course of its normal day-to-day operations;
- (i) **Financial Statements.** Forthwith complete, or cause to be completed, outstanding financial statements as may be required by the TSX-V in connection with the Transaction, each prepared in accordance with GAAP; and
- (j) **Further Assurances.** At its cost and expense, upon the reasonable request of the Lender, execute and deliver or cause to be executed and delivered to the Lender such further instruments, agreements and Security Documents and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Lender to carry out more effectually the provisions and purposes of the Loan Documents.

Section 5.2 Negative Covenants.

So long as there remains any outstanding amount owing under the Loans to the Lender or the Lender has any obligation under this Agreement, and unless consent is given in accordance with Section 8.1, the Borrower and the Guarantor shall not, and shall ensure that each other Subsidiary does not:

(a) **Constating Documents:** Amend its articles or by-laws in any manner which may adversely affect the success of the Transaction;

(b) **Funded Debt.** Create, incur, assume or suffer to exist any Funded Debt other than (i) Funded Debt to the Lender under this Agreement; and (ii) the Funded Debt disclosed in Section 4.1(n);

(c) **Advances and Other Payments.** Make any advance or other payment or repayment to any Person, other than in the ordinary course compensation and routine advances to employees of the Borrower for expenses incurred in the ordinary course of business up to an aggregate of \$25,000;

(d) **Transactions with Related Parties.** Directly or indirectly enter into any agreement with, make any financial accommodation for, or otherwise enter into any transaction with a Subsidiary or any other Affiliate other than on commercial terms;

(e) **Distributions.** Declare, make or pay any Distribution other than as contemplated in the Transaction Agreements (as in effect as of the Effective Date). For purposes of this Section, “**Distribution**” includes with respect to any Person (i) any dividend or other distribution on issued shares of the Person or any of its subsidiaries; (ii) any purchase, redemption or retirement amount of any issued share, warrant or any other option or right to acquire any share of the Person or any of its subsidiaries redeemed or purchased by the Person or any its subsidiaries; or (iii) any payment whether as consulting fees, management fees or otherwise to any Affiliate of the Borrower other than as regards employee compensation;

(f) **Financial Assistance.** Give any Financial Assistance to any Person. For the purposes of this Section, “**Financial Assistance**” includes any advances, loans or other extensions of credit, guarantees, indemnities or other contingent liabilities in the nature of a guarantee or indemnity or capital contributions;

(g) **Material Contracts.** Other than the Transaction Agreements, enter into any transaction or Material Contract which is outside the ordinary course of business;

(h) **Liens.** Other than Permitted Liens, create, incur, assume or suffer to exist any Lien on any of its property or assets;

(i) **Mergers, Share Issuances Etc.** Except for a Permitted Issuance (i) enter into any reorganization, consolidation, amalgamation, arrangement, share split, winding-up, merger or other similar transaction; or (ii) issue any common shares, other equity interests, or any securities convertible into or exchangeable for common shares or other equity interests, to any Person; and

(j) **Disposal of Assets.** Sell, exchange, lease, release or abandon or otherwise dispose of any of its property or assets to any Person.

ARTICLE 6 EVENTS OF DEFAULT

Section 6.1 Events of Default.

If any of the following events (each an “**Event of Default**”) occurs and is continuing:

(a) The Borrower fails to pay any principal amount under the Loans, or any interest thereon when such amount becomes due and payable;

(b) Any representation or warranty or certification made or deemed to be made by the Borrower or the Guarantor or any of its respective directors or officers in the Agreement, the Original Loan Agreement or any other Loan Document shall prove to have been materially incorrect when made or deemed to be made;

(c) The Borrower or the Guarantor fails to perform, observe or comply with any other term, covenant or agreement contained in this Agreement, the Original Loan Agreement, any other Loan Document or any Transaction Agreement and such failure, if capable of being remedied, is not remedied within 15 days of its occurrence;

(d) Any judgment or order for the payment of money in excess of \$25,000 (or the equivalent amount in any other currency) is rendered against the Borrower or any Subsidiary and either (i) enforcement proceedings have been commenced by a creditor upon the judgment or order; or (ii) there is any period of fifteen consecutive days during which a stay of enforcement of the judgment or order, by reason of a pending appeal or otherwise, is not in effect;

(e) The Borrower or any Subsidiary (i) becomes insolvent or generally not able to pay its debts as they become due; (ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institutes or has instituted against it any proceeding seeking (1) to adjudicate it a bankrupt or insolvent; (2) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors; or (3) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its properties and assets, and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or (iv) takes any corporate action to authorize any of the above actions; or

(f) There has occurred or been threatened, in the sole opinion of the Lender acting reasonably, an event or development which can reasonably be expected to have a Material Adverse Effect;

then the Lender may declare that the Loans, all accrued interest and fees and all other amounts payable under this Agreement to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower.

Section 6.2 Remedies Upon Default.

(a) Upon a declaration that the Loans is immediately due and payable pursuant to Section 6.1, the Lender may commence such legal action or proceedings as it deems expedient including, the commencement of enforcement proceedings under the Loan Documents all without any additional notice, presentation, demand, protest, notice of dishonour, entering into of possession of any property or assets,

or any other action or notice, all of which are expressly waived by the Borrower.

(b) The rights and remedies of the Lender under the Loan Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies. Nothing contained in the Loan Documents with respect to the indebtedness or liability of the Borrower to the Lender, nor any act or omission of the Lender with respect to this Agreement or the Security Documents shall in any way prejudice or affect the rights, remedies and powers of the Lender under this Agreement and the Security Documents.

ARTICLE 7

GUARANTY

Section 7.1 Guaranty.

(a) The Guarantor hereby guarantees to the Lender the full and prompt payment of the Obligations, including, without limitation, any interest thereon, plus reasonable attorneys' fees and expenses if the obligations represented by this Guaranty Agreement are collected by law, through an attorney-at-law, or under advice therefrom.

(b) This Guaranty Agreement shall be a continuing guaranty and shall be operative and binding until the Obligations shall have been indefeasibly paid in full in cash.

(c) The Guarantor absolutely, unconditionally and irrevocably waives any and all right to assert any defense (other than the defense of payment in cash in full, to the extent of its obligations hereunder), set-off, counterclaim or cross-claim of any nature whatsoever with respect to this Guaranty Agreement or the obligations of the Guarantor under this Guaranty Agreement or otherwise with respect to the Obligations in any action or proceeding brought by the Lender to collect the Obligations or any portion thereof, or to enforce the obligations of the Guarantor under this Guaranty Agreement.

(d) The Lender, may from time to time, without exonerating or releasing the Guarantor in any way under this Guaranty Agreement, (i) take such further or other security or securities for the Obligations or any part thereof as they may deem proper, or (ii) release, discharge, abandon or otherwise deal with or fail to deal with the Guarantor of the Obligations or any security or securities therefor or any part thereof now or hereafter held by the Lender, or (iii) amend, modify, extend, accelerate or waive in any manner any of the provisions, terms, or conditions of the Loan Documents or other agreements, instruments or contracts evidencing, related to or attendant with the Obligations, all as it may consider expedient or appropriate in its sole and absolute discretion. Without limiting the generality of the foregoing, it is understood that the Lender without exonerating or releasing the Guarantor, give up, modify or abstain from perfecting or taking advantage of any security for the Obligations and accept or make any compositions or arrangements, and realize upon any security for the Obligations when, and in such manner, and with or without notice, all as such Person may deem expedient.

(e) The Guarantor acknowledges and agrees that no change in the nature or terms of the Obligations or any of the Loan Documents, or other agreements, instruments or contracts evidencing, related to or attendant with the Obligations (including any novation), shall discharge all or any part of the liabilities and obligations of such Guarantor pursuant to this Guaranty Agreement; it being the purpose and intent of the Guarantors and the Lender that the covenants, agreements and all liabilities and obligations of the Guarantor hereunder are absolute, unconditional and irrevocable under any and all circumstances.

(f) The creation or existence from time to time of Obligations in excess of the amount committed to or outstanding on the date of this Guaranty Agreement is hereby authorized, without notice to the Guarantor, and shall in no way impair or affect this Guaranty Agreement or the rights of the Lender herein.

(g) The Guarantor hereby absolutely, unconditionally and irrevocably expressly waives, except to the extent that such waiver would be expressly prohibited by applicable law, the following: (i) notice of acceptance of this Guaranty Agreement, (ii) notice of the existence or creation of all or any of the Obligations, (iii) presentment, demand, notice of dishonor, protest and all other notices whatsoever (other than notices expressly required hereunder or under any other Loan Document to which such Guarantor is a party), (iv) all diligence in collection or protection of or realization upon the Obligations or any part thereof, any obligation hereunder, or any security for any of the foregoing, (v) all rights to enforce any remedy which the Lender may have against the Borrower, and (vi) until the Obligations shall have been paid in full in cash, all rights of subrogation, indemnification, contribution and reimbursement from the Borrower for amounts paid hereunder and any benefit of, or right to participate in, any collateral or security now or hereafter held by the Lender, in respect of the Obligations.

(h) This is a guaranty of payment and not of collection. In the event the Lender makes a demand upon the Guarantor in accordance with the terms of this Guaranty Agreement, the Guarantor shall be held and bound the Lender directly as debtor in respect of the payment of the amounts hereby guaranteed. All costs and expenses, including, without limitation, reasonable attorneys' fees and expenses, incurred by the Lender in obtaining performance of or collecting payments due under this Guaranty Agreement shall be deemed part of the Obligations guaranteed hereby.

(i) The Guarantor expressly represents and acknowledges that any financial accommodations by the Lender to the Borrower, including, without limitation, the extension of credit, are and will be of direct interest, benefit and advantage to such Guarantor.

(j) For the avoidance of doubt, all of the Obligations shall be the joint and several obligations of the Borrower and the Guarantor.

ARTICLE 8 MISCELLANEOUS

Section 8.1 Amendments, etc.

No amendment or waiver of any provision of any of this Agreement, nor consent to any departure by the Borrower or the Guarantor from such provisions, is effective unless in writing and approved by the Lender pursuant to the terms of this Agreement. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.

Section 8.2 Termination by Lender.

The Lender may declare that the Loans, all accrued interest and fees and all other amounts payable under this Agreement to be immediately due and payable, without presentment, demand, protest or further notice of any kind, all of which are expressly waived by the Borrower or the Guarantor, if the Transaction, for any reason whatsoever, ceases to constitute a Qualifying Transaction.

Section 8.3 Waiver.

(a) No failure on the part of the Lender to exercise, and no delay in exercising, any right

under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Agreement preclude any other or further exercise of such right or the exercise of any other right.

(b) Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties shall not merge on and shall survive the advance of the Loans and, notwithstanding such advance or any investigation made by or on behalf of any party, shall continue in full force and effect. The closing of this transaction shall not prejudice any right of one party against any other party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

Section 8.4 Notices, etc.

Any notice, direction or other communication to be given under this Agreement shall, except as otherwise permitted, be in writing and given by delivering it or sending it by facsimile or other similar form of recorded communication addressed:

(a) to the Lender at:

Ovid Capital Ventures Inc.

1250 Rene-Levesque Boulevard West, Suite 2500

Montreal, Québec

M5H 2T7

Attention: Edward Ierfino, President

Facsimile: 514-921-1395

Email: eierfino@gmail.com

(b) to the Borrower and the Guarantor at:

iTech Medical, Inc.

17011 Beach Boulevard, Suite 900

Huntington Beach, CA 92647

Attention: Wayne Cockburn, President and Chief Executive Officer

Facsimile: 1-866-253-4111

Email: wayne.cockburn@itechmedical.com

Any such communication shall be deemed to have been validly and effectively given if (i) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Montreal time), otherwise on the next Business Day; and (ii) transmitted by facsimile or similar means of recorded communication on the Business Day following the date of transmission. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to the party at its changed address.

Section 8.5 Costs, Expenses and Indemnity.

(a) The Borrower and the Guarantor shall jointly and severally, whether or not the transaction contemplated in this Agreement is completed, indemnify and hold the Lender and their officers, directors, employees and agents (each an “**Indemnified Person**”) harmless from, and shall pay to such Indemnified Person on demand any amounts required to compensate the Indemnified Person for, any cost, expense, claim or loss suffered by, imposed on, or asserted against, the Indemnified Person as a

result of, connected with or arising out of (i) the preservation of rights under, enforcement of, or refinancing, renegotiation or restructuring of this Agreement and any related amendment, waiver or consent; (ii) a Default, whether or not constituting Event of Default, or an Event of Default by the Borrower or the Guarantor; and (iii) any proceedings brought by or against the Indemnified Person, or in which the Indemnified Person otherwise participates, due to its entering into or being a party of any of the Loan Documents, or by reason of its exercising or performing, or causing the exercise or performance of, any right, power or obligation under any of the Loan Documents, whether or not such proceedings are directly related to the enforcement of any Loan Document, except to the extent caused by the negligence or wilful misconduct of the Indemnified Person.

(b) The Borrower shall pay all reasonable costs and expenses (including all legal fees and disbursements on a solicitor and own client basis) incurred by the Lender in connection with the Loan Documents.

Section 8.6 Successors and Assigns.

(a) This Agreement shall be binding upon and enure to the benefit of the Borrower, the Guarantor, the Lender and their respective successors and permitted assigns.

(b) The Borrower and the Guarantor shall not have the right to assign its rights or obligations under this Agreement or any interest in this Agreement without the prior consent of the Lender.

Section 8.7 Right of Set-off.

Upon the occurrence and during the continuance of any Event of Default, the Lender is authorized at any time and from time to time, to the fullest extent permitted by law (including general principles of common-law), to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Lender to or for the credit or the account of the Borrower or the Guarantor against any and all of the obligations of the Borrower under any of the Loan Documents, irrespective of whether or not the Lender has made demand under any of the Loan Documents and although such obligations may be unmatured or contingent. If an obligation is unascertained, the Lender may, in good faith, estimate the obligation and exercise their right of set-off in respect of the estimate, subject to providing the Borrower and the Guarantor with an accounting when the obligation is finally determined. The Lender shall promptly notify the Borrower and the Guarantor after any set-off and application is made by it, provided that the failure to give notice shall not affect the validity of the set-off and application. The rights of the Lender under this Section 8.7 are in addition to other rights and remedies (including all other rights of set-off) which the Lender may have.

Section 8.8 Entire Agreement

This Agreement, together with the Security Documents, contains the entire agreement between the Lender the Borrower and the Guarantor with respect to the matters hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 8.9 Governing Law.

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Québec and the federal laws of Canada applicable therein.

Section 8.10 Independent Legal Advice.

Each party hereto acknowledges that it has had every opportunity to obtain, and has waived, or has had independent legal advice in respect of the terms herein.

Section 8.11 Counterparts.

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by electronic means, including, without limitation, by facsimile transmission or by electronic delivery in portable document format (“**.pdf**”) or tagged image file format (“**.tif**”), shall constitute the valid and binding signature of such party with the same effect as if it were an original signature endorsed on this Agreement.

Section 8.12 Language.

The parties hereto acknowledge that they have required and are satisfied that this Agreement and all communications to be delivered pursuant hereto be drawn in the English language.

[Signature page follows]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first noted above.

ITECH MEDICAL, INC.

By: 

Authorized Signing Officer

BIOFLEX MEDICAL MAGNETS, INC.

By: 

Authorized Signing Officer

OVID CAPITAL VENTURES INC.

By: 

Authorized Signing Officer

Schedule "A"
Permitted Liens

None.

Schedule "B"
Subsidiaries

The following is a list of iTech Medical, Inc. subsidiaries:

- BIOflex Medical Magnetics, Inc. (100%)

Schedule "C"

Funded Debt of the Borrower

See attached.

Schedule "D"

Permitted Issuance

See attached.

Schedule "E"

Tax Liability

See attached.