

Court File No. 32-2390056

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE PROPOSAL OF 1760184 ONTARIO LTD.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF HAMILTON,
IN THE PROVINCE OF ONTARIO**

**A. FARBER & PARTNERS INC.
FIRST REPORT OF THE PROPOSAL TRUSTEE**

June 18, 2018

Appendices

**APPENDIX A: CERTIFICATE OF FILING NOTICE OF INTENTION TO
MAKE A PROPOSAL DATED JUNE 15, 2018**

**APPENDIX B: STALKING HORSE AGREEMENT OF PURCHASE AND
SALE**

APPENDIX C: SALE PROCESS TIMETABLE

APPENDIX D: CASH FLOW PROJECTIONS TO SEPTEMBER 7, 2018

CONFIDENTIAL APPENDICES

A: INFINITY ASSET SOLUTIONS APPRAISAL

B: PLATINUM ASSET APPRAISAL

INTRODUCTION

1. On June 15, 2018, 1760184 Ontario Ltd. (the “**Company**”) filed a Notice of Intention to Make a Proposal (an “**NOI**”) under Section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and A. Farber & Partners Inc. (“**Farber**”) was named as proposal trustee (in such capacity, the “**Proposal Trustee**”) in the Company’s NOI proceedings (the “**NOI Proceedings**”). A copy of the Certificate of Filing of a Notice of Intention to Make a Proposal is attached hereto as **Appendix “A”**.

PURPOSE OF THIS REPORT

2. The purpose of this first report of the Proposal Trustee (the “**First Report**”) is to report on and support the Company’s request for, *inter alia*, Court approval for the proposed stalking horse marketing and sale process and the terms contemplated in the Stalking Horse APS (as defined below) that have been negotiated by the Company (collectively, the “**Sale Process**”). This First Report also addresses other matters relating to these NOI Proceedings, including, among other things: (i) the proposed creation of an Administrative Charge (as defined below) for professional fees incurred by the Company, the Proposal Trustee and their respective counsel in connection with these NOI Proceedings; and (ii) the proposed extension of the time period for the Company to file a proposal with the Official Receiver (the “**Proposal Period**”) to and including August 29, 2018.

DISCLAIMER

3. The Proposal Trustee has relied upon the financial records and information provided by the Company. The Proposal Trustee has not independently audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. The Proposal Trustee assumes no responsibility or liability for any loss or damage incurred by or caused to any person or entity as a result of the circulation, publication, reproduction or use of or reliance upon this First Report or for any use which any person

or entity makes of this First Report, or any reliance on or a decision made based upon this First Report, other than for the express purposes as set out in this First Report.

4. Unless otherwise stated herein, all references to dollars are in Canadian currency.
5. Pursuant to the E-Service Protocol of the Ontario Superior Court of Justice (Commercial List), which the Proposal Trustee understands the Company will request be adopted in these NOI Proceedings, a copy of this First Report and all other Court materials in these NOI Proceedings are, and will be, available on the Proposal Trustee's website at: <https://farbergroup.com/engagements/1760184-ontario-ltd-surface-heat-treat-coatings>.

BACKGROUND

6. The Company was incorporated on June 24, 2008, and exists under the laws of the Province of Ontario. The Company is a privately-held corporation that is wholly-owned by John Abrahamse, and its registered head office and sole location is 295 Arvin Avenue in Hamilton, Ontario (the "**Arvin Property**").
7. The Company carries on business as a specialty heat treater and applier of wear resistant coatings to metals for use in the automotive, nuclear, oil, mining, agricultural and tool and die industries.
8. Further details relating to the Company and its operations are set out in the Affidavit of Stuart Taube, General Manager of the Company, sworn June 15, 2018 (the "**Taube Affidavit**"), which was filed by the Company in these NOI Proceedings.

Assets

9. The Proposal Trustee understands that the Company's assets generally consist of trade receivables, inventory and production equipment, and that the Company leases its sole location, the Arvin Property, from a related company, J.J. Abram Consulting Inc. ("**JJA**"). The Proposal Trustee understands that JJA is also wholly-owned by John Abrahamse.

Creditors

Secured Creditors

10. The Company's registered general secured lenders are:
 - i) Canadian Imperial Bank of Commerce ("**CIBC**"); and
 - ii) Business Development Bank of Canada ("**BDC**").

11. CIBC and the Company, as borrower, are parties to a certain loan facility agreement dated May 25, 2016 (the "**CIBC Lending Agreement**"), pursuant to which CIBC made available certain credit facilities to the Company, subject to the terms and conditions contained therein. Further details regarding the CIBC Lending Agreement are set out in the Taube Affidavit, and copy of same is attached to the Taube Affidavit as Exhibit "C" thereto. The Proposal Trustee understands that, as at June 14, 2018, CIBC is owed the following approximate amounts under the CIBC Lending Agreement:
 - i) \$100 in respect of an operating line of credit (maximum limit of \$65,000); and
 - ii) \$218,000 in respect of a term loan.

12. CIBC filed a Notice of Intention to Enforce Security pursuant to section 244 of the BIA on May 29, 2018.

13. BDC and the Company, as borrower, are parties to four loan facility agreements (the "**BDC Loan Agreements**") with the following amounts outstanding as at June 14, 2018:
 - i) \$172,730.17 under a loan facility agreement dated September 1, 2016;
 - ii) \$74,254.28 under a second loan facility agreement dated September 1, 2016;
 - iii) \$166,819.99 under a loan facility agreement dated April 24, 2017; and
 - iv) \$87,869.24 under a second loan facility agreement dated April 24, 2017.

Further details regarding the BDC Loan Agreements are set out in the Taube Affidavit, and copy of same are attached to the Taube Affidavit as Exhibits “D”, “E”, “F”, “G” and “H” thereto.

14. BDC filed a Notice of Intention to Enforce Security pursuant to section 244 of the BIA on April 12, 2018.
15. The Proposal Trustee plans to engage its counsel, Aird & Berlis LLP (“A&B”), to conduct a review of CIBC’s and BDC’s respective security packages and related documents with respect to both the Company and JJA.
16. In addition to CIBC and BDC, there is also one subsequent registration against the Company pursuant to the *Personal Property Security Act* (Ontario) in favour of Halton Autolease Inc., which appears to be limited to one specific motor vehicle.

Unsecured Creditors

17. The Company has informed the Proposal Trustee that it has approximately \$182,000 in unsecured liabilities as of the date this First Report.

CAUSES OF INSOLVENCY

18. Based on the Proposal Trustee’s preliminary review of the Company’s books and records, discussions with management and the Taube Affidavit, the Company had been profitable until 2015 when the Company’s president, John Abrahamse, suffered several health issues.
19. The Proposal Trustee understands that Mr. Abrahamse was responsible for day-to-day decision making and sales generation for the Company. As a result of Mr. Abrahamse’s reduced ability to manage the Company, the Company fell into a state of decline: sales plateaued at approximately \$1.6 million, and, from 2015 to 2017, retained earnings were eroded to nil. The Proposal Trustee understands that it was not until the fall of 2017 that Mr. Abrahamse retained additional management to assist with returning the Company to profitability.

20. The causes of the financial difficulties and current financial position of the Company are more fully set out in the Taube Affidavit.

PRE-FILING EFFORTS TO RESTRUCTURE AND SELL THE COMPANY'S ASSETS

21. The Proposal Trustee understands that Mr. Abrahamse had a business partner, Marc Gauvin, when he formed the Company years ago. Subsequently, Mr. Abrahamse and Mr. Gauvin went their separate ways, with the two remaining friends, Mr. Abrahamse retaining ownership of the Company and Mr. Gauvin now operating an aluminum surface treatment company in nearby Burlington, Ontario.
22. The Proposal Trustee further understands that Mr. Abrahamse approached Mr. Gauvin to solicit Mr. Gauvin's assistance with restructuring the Company, and that Mr. Gauvin sees value in adding the Company's business to his own operations.
23. The Company has obtained two separate appraisals of its assets. These appraisals were provided by Infinity Asset Solutions and Platinum Asset Appraisals (collectively, the "Appraisals") and were prepared on a forced liquidation basis. These appraisals are attached as Confidential Appendices "A" and "B", respectively. As the Appraisals contain commercially-sensitive information, the Proposal Trustee believes that the public dissemination of the Appraisals would be prejudicial to the integrity and effectiveness of the Sale Process. Accordingly, the Proposal Trustee supports the Company's request that the Appraisals be sealed pending further Order of this Court.

STALKING HORSE AGREEMENT OF PURCHASE AND SALE

24. As a result of extensive discussions over the period of January to April 2018, the Company has been successful in negotiating a form of asset purchase agreement (the "Stalking Horse APS") with Rampart Steel Treating Ltd. (the "Stalking Horse Purchaser"), a company incorporated by Mr. Gauvin, which Stalking Horse APS is subject to Court approval. If approved, the Stalking Horse APS would represent the opening bid in the proposed Sale Process to be conducted by the Proposal Trustee on behalf of and in consultation with the Company and subject to the approval of this

Court. Both the Stalking Horse APS and the Sale Process are more fully described below.

25. Subject to the terms of the Stalking Horse APS dated June 15, 2018, the Stalking Horse Purchaser agreed to purchase substantially all of the right, title and interest in the Company's inventory and equipment. A copy of the Stalking Horse APS is attached hereto as **Appendix "B"**.
26. The Stalking Horse APS remains subject to Court approval and the results of the Sale Process.
27. The key terms of the transaction contemplated by the Stalking Horse APS include:
 - the Stalking Horse Purchaser acquiring, on an "as is, where is" basis, substantially all of the Company's inventory and equipment for the sum of (A) 90% of the original cost of usable inventory, with the exception that 15% of the original cost will be paid for 'boronizing' materials, as verified by an inventory count at the time of closing, plus (B) \$191,000 for the Company's equipment and fixed assets;
 - the Stalking Horse Purchaser's undertaking to collect the Company's accounts receivable at closing in the ordinary course in exchange for a collection fee equal to 5% of the amounts collected. The specific terms of this arrangement are contained in a receivables collection agreement (the "**Receivables Collection Agreement**") between the Stalking Horse Purchaser and the Company for which the Company is seeking Court approval concurrent with the other approvals being sought;
 - the Stalking Horse Purchaser offering employment to the majority of the Company's current employees, excluding John Abrahamse and his spouse, on substantially the same terms as are currently in existence;
 - the Stalking Horse Purchaser satisfying the purchase price under the Stalking Horse APS by way of cash on closing, less a cash deposit of

\$28,650 that has already been made to, and is being held by, the Proposal Trustee;

- as a condition precedent to the Stalking Horse APS, Danerico Inc. (Marc Gauvin's holding company) entering into agreement of purchase and sale with JJA for the acquisition of the Arvin Property from JJA (the "Arvin APS"). Danerico Inc. has placed a deposit of \$101,250 in trust with the Proposal Trustee; and
- as a further condition precedent to the Stalking Horse APS, the approval of the Court and a Court Order vesting free and clear title to the Stalking Horse Purchaser, subject only to permitted encumbrances, as identified in the Stalking Horse APS.

28. The Proposal Trustee believes the process leading to the Stalking Horse APS was reasonable given the circumstances, in particular as it establishes a floor value that is substantially higher than the values reflected in the Appraisals, likely provides for a superior realization of the accounts receivable than would be attainable in a forced liquidation scenario and likely preserves the employment of the Company's employees.

SALE PROCESS

29. The Proposal Trustee has reviewed the proposed Sale Process and related bidding procedures outlined in the Taube Affidavit and believes that they are appropriate under the circumstances.

30. The definition of a "Superior Bid" is found in the Stalking Horse APS and specifies, *inter alia*, that a Superior Bid must:

- i) be accompanied by a deposit equal to at least 15% of the offered purchase price;
- ii) include a minimum purchase price, payable in cash, in an amount to satisfy:
 - the purchase price as stated in the Stalking Horse APS;

- the Break-Up Fee (as defined in the Stalking Horse APS); and
 - an Overbid Amount (as defined in the Stalking Horse APS) of at least \$50,000;
- iii) include the condition precedent that the purchaser agrees to enter into an agreement to purchase the Arvin Property from JJA on terms that are no more onerous than those contained in the Arvin APS; and
- iv) assume at least the same contracts, permitted encumbrances and other obligations assumed by the Stalking Horse Purchaser in the Stalking Horse APS.
31. The Break-Up Fee is specified in the Stalking Horse APS as the fixed amount of \$42,500. This fee equates to approximately 5.0% of the sum of the purchase prices being offered by the Stalking Horse Purchaser in the Stalking Horse APS and Danerico Inc. in the Arvin APS. The Stalking Horse Purchaser has incurred significant effort and expense in conducting due diligence, preparing the Staking Horse APS and liaising with the Company and Proposal Trustee to develop the Sale Process.
32. The Proposal Trustee believes that the quantum of the deposit, minimum Overbid Amount and the Break-Up Fee are reasonable under the circumstances.
33. A timeline of proposed go-forward events with respect to the Sale Process is attached hereto as **Appendix “C”**.
34. The Proposal Trustee is of the view that the Sale Process, if approved, would provide a transparent and efficient process, administered by the Proposal Trustee in consultation with the Company, to canvass the market broadly and provide a forum and deadline to permit and encourage any serious alternative bidders to come forward with improved offers, thereby increasing the likelihood of the Company formulating and filing a viable proposal.

CASH FLOW PROJECTION

35. The Company has prepared a projected weekly cashflow statement for the period from June 16, 2018 to the week ending September 7, 2018 (the “**Cashflow**”), attached hereto as **Appendix “D”**. The Cashflow indicates that the Company is projected to have sufficient liquidity through to the conclusion of the Sale Process to continue operating.
36. The Proposal Trustee has reviewed the underlying assumptions on which the Cashflow projection is based and believes that they are reasonable. A key assumption is that CIBC will continue to support the Company’s line of credit that was in place at the time of filing the NOI.

EXTENSION OF THE PROPOSAL PERIOD

37. The Proposal Period is currently scheduled to expire on July 15, 2018. The Stalking Horse APS provides that the deadline for interested parties to submit a Superior Bid for the Purchased Assets to the Proposal Trustee is 5:00 p.m. (EST) on July 18, 2018 (the “**Bid Deadline**”). The Stalking Horse APS further provides that the Proposal Trustee shall evaluate the Superior Bids received, if any, and notify each of the bidder(s) who submitted a Superior Bid and the Stalking Horse Purchaser that one or more Superior Bid(s) was received and invite each of them to submit a final offer, if necessary, by 5:00 p.m. (EST) on July 19, 2018 (the “**Final Offer Deadline**”).
38. Extending the Proposal Period by an additional 45 days to August 29, 2018 will allow the necessary time for the Sale Process to be conducted before returning to Court to seek approval of either the Stalking Horse APS or a Superior Bid (as defined therein).
39. The Proposal Trustee is not aware of any creditors who would be materially prejudiced by the granting of the requested extension of the Proposal Period. It would also be most cost effective for the Court to grant the requested extension of the Proposal Period at this time, concurrent with the requested approval of the Sale Process, so that the parties (and, ultimately, the Company’s stakeholders) do not have incur the additional expense of a Court attendance for the sole purpose of extending the Proposal Period.

40. The Company has acted in good faith and with due diligence in these NOI Proceedings to date and in its efforts to negotiate the Stalking Horse APS and the Sale Process, which the Proposal Trustee believes represents the most appropriate strategy to maximize recovery for the benefit of all stakeholders.

PRIORITY CHARGES

41. The Company is also seeking Court approval of a super-priority charge (the “**Administration Charge**”) in the amount of \$100,000 against the Company’s assets, properties and undertakings (the “**Property**”). The Administration Charge would have priority over all other secured claims against the Property. The beneficiaries of the Administration Charge would be the Proposal Trustee (including in its capacity as trustee in bankruptcy, if applicable), the Proposal Trustee’s legal counsel, A&B (including as counsel to the trustee in bankruptcy, if applicable) and the Company’s legal counsel, Torkin Manes LLP.
42. The Administration Charge is common in restructuring proceedings such as this and is, in the Proposal Trustee’s view, appropriate in the present case given the Company’s lack of liquidity. The professionals involved in these NOI Proceedings require the benefit of a Court-ordered first-ranking charge on the Property to secure payment of their fees and expenses.
43. In addition, the Proposal Trustee understands that the Administration Charge is supported by CIBC and BDC, the Company’s secured lenders.

OTHER ACTIVITIES OF THE PROPOSAL TRUSTEE

44. The Proposal Trustee is in the process of compiling the necessary materials to mail the notice of the NOI Proceedings to the Company’s creditors.
45. The Proposal Trustee will attend to e-filing the statutory cashflow with the Official Receiver in accordance with section 50.4(2) of the BIA by the statutory deadline of June 25, 2018.

RECOMMENDATIONS

46. The Proposal Trustee respectfully recommends that this Court approve the relief requested by the Company and discussed in this First Report.

All of which is respectfully submitted this 18th day of June, 2018.

**A. FARBER & PARTNERS INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE
OF 1760184 ONTARIO LTD.**

A. Farber & Partners Inc.

TAB A



Industry Canada

Office of the Superintendent
of Bankruptcy Canada

Industrie Canada

Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 07 - Hamilton
Court No. 32-2390056
Estate No. 32-2390056

In the Matter of the Notice of Intention to make a
proposal of:

1760184 Ontario Ltd.

Insolvent Person

A. FARBER & PARTNERS INC.

Licensed Insolvency Trustee

Date of the Notice of Intention: June 15, 2018

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

E-File/Dépôt Electronique

Date: June 15, 2018, 16:39

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

Canada

TAB B

AGREEMENT OF PURCHASE AND SALE

This Agreement is made this 15th day of June, 2018,

B E T W E E N:

RAMPART STEEL TREATING LTD.,
a corporation incorporated under the laws of the Province of Ontario

(the “**Purchaser**”)

A N D:

1760184 ONTARIO LTD.
a corporation incorporated under the laws of the Province of Ontario

(the “**Vendor**”)

W H E R E A S:

- A. Pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), contemporaneously with the signing of this agreement, the Vendor filed a notice of intention to make a proposal on June 15, 2018 (the “**NOI**”), and A. Farber & Partners Inc. (“**Farber**”) was named as the proposal trustee of the Vendor (in such capacity, the “**Proposal Trustee**”);
- B. In accordance with and subject to the terms and conditions set out in this Agreement, the Vendor desires to sell certain of its assets and the Purchaser desires to act as a “stalking horse bidder” in connection therewith; and
- C. The Vendor will obtain the Initial Order (as defined herein) to, amongst other things, authorize the Vendor to enter into this Agreement,

NOW THEREFORE, FOR VALUE RECEIVED, the Parties (as defined herein) agree as follows:

SECTION 1 - INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) “**Accounts Receivable**” means, as of 11:59 p.m. (Toronto time) on the calendar day immediately prior to the Closing Date, all trade accounts, notes receivable, book debts and other debts or amounts due or accruing due to the Vendor in respect of the Business or any part thereof, and the benefit of all security for such accounts, notes and debts;

- (b) “**Agreement**” means the within agreement of purchase and sale between the Vendor and the Purchaser, including all the Schedules attached hereto, which agreement shall become effective upon execution of this Agreement by the Purchaser;
- (c) “**AR Collection Agreement**” means the Purchaser’s agreement to collect the Vendor’s outstanding Accounts Receivable, on the terms set out in the receivables collection agreement appended hereto as Schedule 2.8;
- (d) “**Assumed Obligations**” has the meaning set out in Section 2.5 herein;
- (e) “**BIA**” has the meaning set out in the recitals hereto;
- (f) “**BIA Proceedings**” means the proceedings commenced by the Debtor pursuant to subsection 50.4(1) of the BIA upon the Debtor’s filing of the NOI, for which BIA Proceedings Farber is acting as the Proposal Trustee;
- (g) “**Bid Deadline**” means 5:00 p.m. on July 18, 2018;
- (h) “**Bill of Sale**” means a bill of sale evidencing that the Purchased Assets have been conveyed by the Vendor to the Purchaser;
- (i) “**Break-Up Fee**” has the meaning set out in Section 5.10 herein;
- (j) “**Improvements**” means all the right, title and interest of the Vendor, if any, in and to all plant, buildings, structures, erections, improvements, fixtures and appurtenances situated in, on or under or forming part of any of the Leased Premises;
- (k) “**Business**” means the metal heat treatment and coatings business carried on by the Vendor;
- (l) “**Business Day**” means a day on which banks are open for business in the City of Toronto, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;
- (m) “**Cash Purchase Price**” has the meaning set out in Section 2.8 herein;
- (n) “**Claims**” means any claim (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person;
- (o) “**Closing**” means the successful completion of the Transaction;
- (p) “**Closing Date**” means ten (10) Business Days following the date on which the Vesting Order is granted or such other date as agreed to in writing by the Parties;

- (q) “**Closing Prepaid Amount Statement**” means the statement and listing of all of the Prepaid Amounts as of the Closing, together with the value allocated to such Purchased Assets determined by the Parties at or immediately prior to the Closing;
- (r) “**Closing Time**” means 2:00 p.m. (Toronto time) on the Closing Date;
- (s) “**Confidential Information**” has the meaning set out in Section 1.1(eee) herein;
- (t) “**Copyrights**” has the meaning set out in Section 1.1(II) herein;
- (u) “**Court**” means the Ontario Superior Court of Justice (Commercial List);
- (v) “**Customer Accounts**” means all existing customer accounts in respect of the Business including, without limitation, customer lists with respect to the Business’ past, present and prospective customers, and all related sales, contacts and credit and purchase records;
- (w) “**Customer Purchase Orders**” means the outstanding customer purchase orders or contracts for the purchase or sale of the Products;
- (x) “**Deposit**” has the meaning set out in Section 2.9 herein;
- (y) “**Design Rights**” has the meaning set out in Section 1.1(II) herein;
- (z) “**Designs**” has the meaning set out in Section 1.1(eee) herein;
- (aa) “**Employee**” means an individual currently employed by the Vendor, and “**Employees**” means more than one Employee;
- (bb) “**Employee Liabilities**” means any liability imposed pursuant to any applicable law, contract or collective agreement pursuant to which any Party is deemed to be a current employer, successor employer, related employer or otherwise responsible for or liable for payment of any amounts owing to any of the Employees (including, but not limited to, the Selected and Accepting Employees). Without limiting the foregoing, Employee Liabilities includes:
 - (i) all salaries, remunerations, wages, bonuses, commissions and other compensation (including accrued but unpaid vacation pay and any retroactive pay) and all liabilities under employee pension and benefit plans;
 - (ii) all severance payments, termination payments, notice or pay in lieu of notice, damages for wrongful dismissal and all related costs in respect of the termination of the Employees by the Vendor;

- (iii) all liabilities for claims for injury, disability, death or workers' compensation arising from or relating to employment by the Vendor; and
 - (iv) all dues, assessments and liabilities of any nature or kind pursuant to any collective agreement in force between the Vendor and any certified bargaining agent;
- (cc) "ETA" means the *Excise Tax Act*, R.S.C. 1985, c. E-15, as amended;
- (dd) "**Excluded Assets**" means, in addition to any Purchased Assets that the Purchaser elects to exclude prior to Closing in accordance with Section 2.7 herein, and notwithstanding anything else in this Agreement, each of the following property and assets of the Vendor:
- (i) all cash, bank balances, money in possession of banks and other depositories, term or time deposits and similar cash items of, owned or held by or for the account of the Vendor and any income tax or other similar refunds;
 - (ii) all the corporate and financial records of the Vendor other than the Records and the Customer Accounts;
 - (iii) all the Purchased Contracts that are not capable of assignment in accordance with their respective terms or for which consents or approvals of appropriate third parties for the assignment have not been obtained on or before the Closing; and
 - (iv) all the Accounts Receivable.
- (ee) "**Final Offer(s)**" has the meaning set out in Section 5.9 herein;
- (ff) "**Final Offer Deadline**" has the meaning set out in Section 5.9 herein;
- (gg) "**Equipment & Personal Property**" means all machines, machinery, equipment (including, without limitation, all manufacturing, processing and quality control equipment and office and computer equipment), shipping and manufacturing equipment, furniture, furnishings, material handling equipment, implements, accessories and all other tangible or personal property of whatever nature or kind not otherwise referenced in this Agreement, used primarily in respect of the Business and owned by the Vendor (other than the Improvements, the Records and the Excluded Assets) and all rights, privileges, licenses and entitlements to use same in the same manner as are and have been used in the Business as listed in Schedule 1.1(gg) herein;
- (hh) "**Goodwill**" means the goodwill of the Business, including, without limitation, all the right, title and interest of the Vendor in and to all elements in connection with the operation of the Business which contribute to the

goodwill of the Business, including, without limitation, goodwill represented by the packaging, labelling, advertising, marketing and promotional materials, customer and supplier lists, contracts, other agreements and arrangements with customers and suppliers and the logos, tradenames and trademarks set forth in Schedule 1.1(hh) herein;

- (ii) “**Governmental Authority**” means any federal, provincial, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including, without limitation, any district, agency, commission, board, arbitration panel or authority and any subdivision of the foregoing exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or taxing authority or power of any nature, and any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (jj) “**HST**” means all goods and service taxes payable under the ETA;
- (kk) “**Initial Order**” means an Order to be made by the Court upon terms acceptable to the Parties and the Proposal Trustee, acting reasonably, that, amongst other things: (i) approves an extension of time for the Vendor to file a proposal in the BIA Proceedings; (ii) authorizes the Vendor to enter into this Agreement; and (iii) approves the terms and conditions of and a timetable for a sale process to be conducted by the Proposal Trustee, amongst others, with respect to the Purchased Assets;
- (ll) “**Intellectual Property**” means: (i) any common law principle or statutory provision which may provide or grant a right in the Proprietary Assets, including, without limitation, all: (A) common law rights and registrations, pending applications for registration and rights to file applications for, and rights relating to registered trade-marks of, the Marks, including, but not limited to, all rights of priority in the Marks (collectively, “**Trade Mark Rights**”); (B) patents, pending patent applications and rights to file applications for the Inventions, including, without limitation, all rights of priority and rights in continuations, continuations-in-part, divisions, reissues, renewals, re-examinations, exclusions, reissues and other derivative applications and patents (collectively, “**Patent Rights**”); (C) copyrights and all registrations, pending applications for registration and rights to file applications for the Works and all moral rights and benefits of waivers of moral rights in the Works (collectively, “**Copyrights**”); (D) industrial design rights, design patents, design registrations, pending patent and design applications and rights to file applications for the Designs, including, without limitation, all rights of priority and rights in continuations, continuations-in-part, divisions, re-examinations, reissues and other derivative applications (collectively, “**Design Rights**”); (E) any and all rights in the Confidential Information; and (F) registrations, pending applications for registrations, rights to file applications for registrations, for all rights to offer to sell Regulated Products and Services and all other rights to prevent third parties

from selling or offering to sell the Regulated Products and Services; (ii) all rights in licences, sub-licences, franchise agreements, waivers and other contractual rights in any of the foregoing; (iii) all rights to enforce the rights and obtain remedies for a violation of any of the rights set out in clauses (i) and (ii) above;

- (mm) “**Inventions**” has the meaning set out in Section 1.1(eee) herein;
- (nn) “**Inventory**” means all inventories of the Business, including raw materials, packaging materials, work-in-progress and finished goods of or pertaining to the Business as at the Closing Date;
- (oo) “**Inventory Purchase Price**” has the meaning set out in Section 2.8 herein;
- (pp) “**Inventory Value**” means the value of the Inventory as determined in accordance with the Vendor’s customary and historical accounting practices, as shown on the listing and valuation of Inventory made available by the Proposal Trustee through the data room to all Persons interested in submitting an offer for the Purchased Assets;
- (qq) “**ITA**” means the *Income Tax Act*, R.S.C. 1985, c. 1 (5th supp.), as amended;
- (rr) “**Leased Premises**” means the lands and premises which are leased by the Vendor in connection with the Business pursuant to the Real Property Leases;
- (ss) “**Leases**” means the leases relating to the Business other than the Real Property Leases and the Excluded Assets;
- (tt) “**Licensed IP**” means the Proprietary Assets owned by any Person other than the Vendor and that are being used or are proposed to be used by the Vendor in respect of the Business;
- (uu) “**Marks**” has the meaning set out in Section 1.1(eee) herein;
- (vv) “**Overbid Amount**” has the meaning set out in Section 1.1(ppp) herein;
- (ww) “**Parties**” means the Purchaser and the Vendor, and “**Party**” means any one of the Parties;
- (xx) “**Patent Rights**” has the meaning set out in Section 1.1(ll) herein;
- (yy) “**Permits**” means all the authorizations, registrations, permits, certificates of approval, approvals, licenses, leases, quotas, consents, commitments, rights or privileges issued, granted or required by any Governmental Authority to the Vendor in respect of the Business, including, without limitation, those set forth in Schedule 1.1(yy) hereto;
- (zz) “**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or

corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;

- (aaa) “**Prepaid Amounts**” means all prepaid expenses, deposits and other current assets of ongoing benefit to the Purchaser relating solely to the Business as set out in the Closing Prepaid Amount Statement;
- (bbb) “**Processing Operations**” means all processing, manufacturing or other operations to prepare the Products or otherwise in respect of the Business;
- (ccc) “**Products**” means all items or personal property processed or purchased for resale by or for the Business in the ordinary course;
- (ddd) “**Proposal Trustee**” has the meaning set out in the recitals hereto;
- (eee) “**Proprietary Assets**” means: (i) trade-marks, design marks, logos, service marks, certification marks, official marks, trade names, business names, corporate names, trade dress, distinguishing guises, slogans, meta tags, and other characters, brand elements or other distinguishing features used in association with wares or services, whether or not registered or the subject of an application for registration and whether or not registrable, and the goodwill associated therewith (collectively, “**Marks**”); (ii) inventions, arts, processes, machines, articles of manufacture, compositions of matter, formulations and recipes, business methods, developments and improvements, whether or not patentable, methods and processes for making same, and related documentation (whether in written or electronic form) and know-how (collectively, “**Inventions**”); (iii) the Records, and all works and copyrightable subject matter of any kind, including all formulations, recipes, production processes, software relating to the Business, and any compilations of any of the foregoing (collectively, “**Works**”); (iv) industrial designs, whether or not registered or the subject of an application for registration and whether or not registrable (collectively, “**Designs**”); (v) information that is of a proprietary or confidential nature or not generally available to the public, or a trade secret and any know how in the foregoing (collectively, “**Confidential Information**”); (vi) regulated products and services, whether or not approved or the subject of an application for regulatory approval (collectively, “**Regulated Products and Services**”); and (vii) all rights of the Vendor in the telephone listings and numbers, post office boxes and cable, website, email addresses, telex and similar arrangements relating to the Business and to the extent that such rights are assignable;
- (fff) “**Purchase Orders**” means the Customer Purchase Orders and the Supplier Purchase Orders;
- (ggg) “**Purchase Price**” has the meaning set out in Section 2.8 herein;

- (hhh) **“Purchased Assets”** means all the right, title and interest of the Vendor in and to all the tangible and intangible assets, properties, rights, privileges, benefits and Claims of whatever nature or kind and wherever situated (other than the Excluded Assets) that are used, intended for use or arise in connection with the ownership, operation or conduct of the Business, including, without limitation, the following assets, properties and rights:
- (i) the Customer Accounts;
 - (ii) the Purchased Contracts;
 - (iii) the Prepaid Amounts;
 - (iv) the Improvements;
 - (v) the Inventory;
 - (vi) the Vendor IP and Licensed IP, and the Intellectual Property in each of the Vendor IP and the Licensed IP;
 - (vii) the Warranty Rights;
 - (viii) the Permits;
 - (ix) the Records;
 - (x) the Real Property Leases;
 - (xi) the Equipment and Personal Property; and
 - (xii) the Goodwill;
- (iii) **“Purchased Contract(s)”** means the Leases, Purchase Orders and all other contracts, agreements and binding commitments relating to the Business (other than the Excluded Assets);
- (jjj) **“Purchaser”** has the meaning set out in the preamble hereto;
- (kkk) **“Real Property Leases”** means all applicable real property leases in respect of the Business, each of which is listed on Schedule 1.1(kkk) hereto;
- (III) **“Records”** means all books, records, files and all technical, business and financial records and documentation and information, including, without limitation, the Technical Information, in any form whatsoever to the extent they pertain to the Purchased Assets or the Business, in the possession of, or readily accessible by, the Vendor, whether in writing or stored in any retrieval system or data base (other than those referred to in the definition of Excluded Assets), including, without limitation: (i) all production, processing, inventory, sales, supplier and customer records in respect of the

Business; (ii) all sales literature, promotional literature, catalogues and similar materials and related artwork of the Business; and (iii) all records, files, papers, documents, invoices, blueprints, specifications, designs, drawings, research and lab materials, accounting records, reports, technical data and information, business records, operating data and other data relating to the Purchased Assets or the Business;

- (mmm) “**Regulated Products and Services**” has the meaning set out in Section 1.1(eee) herein;
- (nnn) “**Selected and Accepted Employees**” has the meaning set out in Section 2.4 herein;
- (ooo) “**Stalking Horse Bid**” has the meaning set out in Section 5.9 herein;
- (ppp) “**Superior Bid(s)**” shall mean an offer by any Person other than the Purchaser or its affiliates to purchase all or any of the Purchased Assets, which has cash consideration at least \$50,000 higher than the Stalking Horse Bid as determined pursuant to the Initial Order plus the Break-Up Fee (the “**Overbid Amount**”), provided that no offer shall qualify as a Superior Bid unless it meets, amongst other things, the following minimum criteria:
- (a) the offer must be accompanied by a deposit, in certified funds or wire transfer to the Proposed Trustee, to be treated and delivered in the same manner as the Deposit herein, and which deposit must be at least equal to fifteen percent (15%) of the purchase price of the Superior Bid;
 - (b) the offer must be irrevocable until ten (10) Business Days after the Bid Deadline and specify that the closing shall take place on the Closing Date;
 - (c) the offer must be on terms no less favourable and no more burdensome or conditional than the Stalking Horse Bid;
 - (d) the offer must be substantially in the form of the Stalking Horse Bid, with any changes to the offer blacklined against the Stalking Horse Bid; and
 - (e) the offer must be supported, in the sole discretion of the Proposal Trustee, by evidence of financing sufficient to close a transaction within the timelines detailed in the Sale Process Order;
- (qqq) “**Supplier Purchase Orders**” means the outstanding supplier or vendor purchase orders and contracts (other than Excluded Assets) for the purchase or sale of personal property to be used for, or for services to be rendered to, the Business;

- (rrr) **“Tax” or “Taxes”** means all taxes, duties, fees, premiums, assessments, imposts, levies, rates, withholdings, dues, government contributions and other charges of any kind whatsoever imposed by any Governmental Authority, whether direct or indirect, together with all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof, including those levied on, or measured by, or referred to as income, gross income, gross receipts, net proceeds, profits, capital gains, alternative or add-on, or minimum, capital, transfer, land transfer, sales, retail sales, consumption, use, HST, value-added, ad valorem, turnover, excise, stamp, non-resident withholding, business, franchising, business licenses, real and personal property (tangible and intangible), environmental, transfer, payroll, employee withholding, employment, health, employer health, social services, development, occupation, education or social security, and all contributions, premiums, surtaxes, all customs duties, countervail, anti-dumping, special import measures and import and export taxes, all licence, franchise and registration fees, all provincial workers’ compensation payments, and all employment insurance, health insurance and Ontario, Canada and other government pension plan contributions;
- (sss) **“Technical Information”** means all technical information relating solely to the Business or the Processing Operations, including, without limitation, all:
 - (i) information of a scientific, technical or business nature, regardless of form;
 - (ii) documentation with respect to research, development, demonstration or engineering work and reports form and to any Governmental Authority;
 - (iii) information that can be or is used to define a design or process, or to procure, produce, support or operate materials or equipment;
 - (iv) information regarding methods of production;
 - (v) other drawings, blueprints, patterns, plans, flow charts, equipment parts lists, specifications, protocols, data structures, formulas, designs, technical data, descriptions, related instruction manuals, records and procedures; and
 - (vi) data and databases, whether registered or unregistered;
- (ttt) **“Trade Mark Rights”** has the meaning set out in Section 1.1(II) herein;
- (uuu) **“Transaction”** means the transaction of purchase and sale contemplated by this Agreement;
- (vvv) **“Vendor IP”** means, other than computer software, the Proprietary Assets that have been developed by or for, or are being developed by or for, the Vendor or that are owned by the Vendor and are being used or are proposed to be used by the Vendor primarily in respect of the Business or the Processing Operations, but excluding the Licensed IP;
- (www) **“Vendor”** has the meaning set out in the preamble hereto;
- (xxx) **“Vesting Order”** means an order by the Court vesting in the Purchaser all the right, title and interest of the Vendor in and to the Purchased Assets free and

clear of all Claims, in form and substance acceptable to the Parties and the Proposal Trustee, acting reasonably;

(yyy) **“Warranty Rights”** means the full benefit of all warranties, warranty rights, performance bonds and indemnities (implied, express or otherwise) of the Vendor against manufacturers, contractors or any other Person which apply to any of the Purchased Assets or the Business to the extent the same are capable of being assigned;

(zzz) **“Warranty Obligations”** means any and all warranties given by the Vendor and relating to or in respect of products manufactured or sold by the Vendor at any time prior to the Closing Time, regardless when such warranty claim is made;

(aaaa) **“Winning Bid”** has the meaning set out in Section 5.9 herein;

(bbbb) **“Winning Bidder”** has the meaning set out in Section 5.9 herein; and

(cccc) **“Works”** has the meaning set out in Section 1.1(eee) herein.

1.2 **Interpretation Not Affected by Headings, etc.**

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “this Agreement”, “herein”, “hereof”, “hereto” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 **Extended Meanings**

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings.

1.4 **Schedules**

The following Schedules are incorporated in and form part of this Agreement:

Schedule “1.1(gg)” – Equipment & Personal Property;

Schedule “1.1(hh)” – logos, tradenames and trademarks;

Schedule “1.1(yy)” – Permits;

Schedule “1.1(kkk)” – Real Property Leases;

Schedule “2.8” – AR Collection Agreement; and

Schedule “4.2(c)” - Agreement of Purchase and Sale re 295 Arvin Avenue.

SECTION 2 - SALE AND PURCHASE AND ASSIGNMENT

2.1 **Sale and Purchase of Purchased Assets**

Subject to the terms and conditions hereof, at the Closing Time, the Vendor shall sell to the Purchaser, and the Purchaser shall purchase from the Vendor, the Purchased Assets. The Purchaser acknowledges that it is not purchasing any other property or assets of the Vendor other than the Purchased Assets.

2.2 **Assignment and Assumption of Purchased Contracts**

Subject to the conditions and terms hereof, at the Closing Time, the Vendor shall assign to the Purchaser all the Vendor's rights, benefits and interests in and to the Purchased Contracts and the Purchaser shall assume the obligations and liabilities of the Vendor under the Purchased Contracts at the Closing Time.

Notwithstanding the foregoing, this Agreement and any document delivered under this Agreement shall not constitute an assignment or an attempted assignment of any Purchased Contract contemplated to be assigned to the Purchaser under this Agreement that is not assignable without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach of such Purchased Contract. Any Purchased Contract in respect of which the consent of a third party is required but has not been obtained by the Closing Time shall be held in trust by the Vendor for the benefit of the Purchaser until such time as the required consent is obtained.

2.3 **"As is, Where is"**

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an "*as is, where is*" basis as they shall exist at the Closing Time. The Purchaser further acknowledges that it has entered into this Agreement on the basis that neither the Vendor nor the Proposal Trustee guarantees title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deems appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act*, R.S.O. 1990, c. S.1, as amended, or similar legislation do not apply hereto and have been waived by the Purchaser. The descriptions of the Purchased Assets contained in the Schedules hereto are for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor or the Proposal Trustee concerning completeness or the accuracy of such descriptions.

2.4 **Employees**

Subject to the terms of this Section, the Purchaser in its sole discretion may offer employment to any of the Employees. The Purchaser shall advise the Vendor in writing (with a

copy to the Proposal Trustee) at least seventy-two (72) hours prior to the Closing Time of those Employees who have accepted the Purchaser's offer of employment (collectively, the "**Selected and Accepting Employees**").

Before Closing, the Vendor shall terminate the employment of all the Employees who are not the Selected and Accepting Employees. The Purchaser shall not assume any Employee Liabilities in respect of any of the Employees who are not the Selected and Accepting Employees, and the Vendor shall remain responsible and liable, and indemnify and hold harmless the Purchaser, for all Employee Liabilities in respect to all Employees who are not the Selected and Accepting Employees.

2.5 **Assumed Obligations**

The Purchaser shall assume the following obligations and liabilities of the Vendor (the "**Assumed Obligations**") on Closing:

- (a) Employee Liabilities in respect of the Selected and Accepting Employees, but only those Employee Liabilities based on events occurring after Closing other than accrued vacation pay; the Purchaser specifically does not agree to assume Employee Liabilities in respect of the Selected and Accepting Employees based on events which occurred prior to Closing other than accrued vacation pay;
- (b) all the Vendor's obligations and liabilities under the Purchased Contracts whether arising prior to or after Closing, unless listed as an Excluded Asset; and
- (c) all the Vendor's obligations and liabilities under the Warranty Obligations.

2.6 **Excluded Obligations**

Other than the Assumed Obligations, the Purchaser shall not assume and shall not be liable for any debts, liabilities or other obligations of the Vendor.

2.7 **Purchaser's Right to Exclude**

Notwithstanding anything to the contrary in this Agreement, the Purchaser may, at its option, exclude any of the Purchased Assets, including any Purchased Contracts, from the Transaction at any time prior to Closing upon written notice to the Vendor, whereupon such Purchased Assets shall be Excluded Assets, provided, however, that there shall be no reduction in the Purchase Price as a result of such exclusion.

2.8 **Purchase Price**

Subject to Section 2.11 of this Agreement, the purchase price payable by the Purchaser for the Purchased Assets and the assumption of the Assumed Obligations shall be the sum of \$191,000.00 (the "**Cash Purchase Price**") plus 90% of the Inventory Value as at the Closing Date (the "**Inventory Purchase Price**"), plus the Purchaser's agreement to the AR Collection Agreement appended hereto as Schedule 2.8 (agreement to the AR Collection Agreement,

together with the Cash Purchase Price and the Inventory Purchase Price being the “**Purchase Price**”).

2.9 **Payment of Purchase Price**

The Purchaser shall pay and satisfy the Purchase Price by:

- (a) concurrent with the execution of this Agreement by the Parties, delivering the sum of \$28,650.00 to the Proposal Trustee (the “**Deposit**”), which Deposit shall be held by the Proposal Trustee in a non-interest bearing account and treated in accordance with the terms of this Agreement;
- (b) on or before Closing, executing a receivables collection agreement in substantially the form attached hereto as Schedule 2.8; and
- (c) on Closing, delivering the sum of \$162,350 plus the Inventory Purchase Price, as determined pursuant to Section 2.11 of this Agreement, to the Proposal Trustee.

2.10 **Allocation of Purchase Price**

The Purchase Price shall be allocated amongst the Purchased Assets, as the Vendor and the Purchaser may agree, each acting reasonably.

2.11 **Inventory Purchase Price**

On or before Closing, the Vendor shall provide the Purchaser with an inventory count for the purpose of determining the Inventory Value as at the Closing Date.

2.12 **Taxes**

At the Closing Time, the Purchaser shall pay, in addition to the Purchase Price, all Taxes exigible in connection with the purchase and sale of the Purchased Assets, including, without limitation, HST. Alternatively, where applicable, the Purchaser shall have the option to furnish the Vendor with appropriate exemption certificates.

Alternatively, at Purchaser’s option, Purchaser and the Vendor shall jointly make the election provided for under:

- (a) subsection 167(1.1) of the ETA, such that no HST will be payable in respect of the Transaction; and
- (b) section 22 of the ITA,

in which case the Purchaser and the Vendor shall jointly complete the election forms in respect of such elections and the Vendor hereby irrevocably appoints the Purchaser (or its authorized representative) as its agent to file the said election form.

The Purchaser agrees to indemnify and save the Vendor and the Proposal Trustee harmless from and against all claims and demands for payment of the above-mentioned Taxes, including penalties and interest thereon and any liability or costs incurred as a result of any failure to pay such Taxes when due.

SECTION 3 - REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario;
- (b) the Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder, and the execution and delivery of this Agreement and the consummation of the Transaction have been duly authorized by all necessary corporate action on the part of the Purchaser;
- (c) the Purchaser is not a party to, bound or affected by, or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;
- (d) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the best of the Purchaser's knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any court, governmental authority, commission, agency, instrumentality or arbitrator that, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the Transaction, and the Purchaser is not aware of any existing ground on which any action, suit or proceeding may be commenced with any reasonable likelihood of success;
- (e) this Agreement and all other documents contemplated hereunder to which the Purchaser is or will be a party have been or will be, as at the Closing Time, duly and validly executed and delivered by the Purchaser and constitute or will constitute, as at the Closing Time, legal, valid and binding obligations of the Purchaser enforceable in accordance with the terms hereof or thereof;
- (f) the Purchaser is not a non-Canadian person as defined in the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended; and
- (g) the Purchaser is or will be prior to Closing Time registered under Part IX of the ETA.

3.2 Vendor's Representations

The Vendor represents and warrants to the Purchaser as follows:

- (a) the Vendor is a corporation duly incorporated, organized and subsisting under the laws of the Province of Ontario; and
- (b) the Vendor is not a non-Canadian person as defined in the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended.
- (c) there is no unfair labour practice complaint under the *Labour Relations Act, 1995* (or any similar legislation) against the Vendor pending before the Ontario Labour Relations Board or any similar agency or body having jurisdiction therefor;
- (d) there is no labour strike threatened against or involving the Vendor;
- (e) there is no union certification application outstanding respecting any of the Employees;
- (f) no collective bargaining agreement with respect to any of the Employees is in force or is currently being negotiated by the Vendor; and
- (g) no union holds any bargaining rights regarding any of the Employees.

SECTION 4 - CONDITIONS

4.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed:

- (a) all representations and warranties of the Vendor contained in this Agreement shall be true as of the Closing Time with the same effect as though made on and as of that date; and
- (b) the Vendor shall have performed each of its obligations under this Agreement to the extent required to be performed at or before the Closing Time, including, without limitation, the obligations described in Section 5.3 hereof.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 4.1 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in this Section 4.1 is not satisfied or performed on or prior to the Closing Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

4.2 **Conditions – Vendor**

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Time with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed at or before the Closing Time, including, without limitation, the obligations described in Section 5.2 hereof; and
- (c) the Purchaser shall have entered into a binding receivables collection agreement, in substantially the form attached hereto as Schedule 2.8, to act as agent for the Vendor for the purpose of collecting certain of the Vendor's outstanding accounts receivable.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 4.2 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set out in this Section 4.2 is not satisfied or performed on or prior to the Closing Date, the Vendor may elect on written notice to the Purchaser to terminate this Agreement.

4.3 **Conditions – Purchaser and Vendor**

The obligations of the Vendor and the Purchaser to complete the Transaction are subject to the following conditions being fulfilled or performed:

- (a) the Initial Order shall have been obtained and shall not have been stayed, varied, vacated or appealed (or any such appeal shall have been dismissed with no further appeal therefrom);
- (b) the Purchaser has become the Winning Bidder as defined in section 5.9 herein;
- (c) the Vesting Order shall have been obtained and shall not have been stayed, varied, vacated or appealed (or any such appeal shall have been dismissed with no further appeal therefrom);
- (d) the offer of Danerico Inc. to purchase the real property municipally known as 295 Arvin Avenue, Stoney Creek, Ontario and owned by J.J. Abram Consulting Inc. shall have been accepted by J.J. Abram Consulting Inc. and shall close contemporaneously with the Transaction;
- (e) no order shall have been issued which restrains or prohibits the completion of the Transaction; and

- (f) no motion, action or proceedings shall be pending to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser. If the conditions set out in this Section 4.3 are not satisfied or performed on or before the Closing Date, either Party shall have the option to terminate this Agreement upon written notice to the other Party.

SECTION 5 - CLOSING

5.1 Closing

The completion of the Transaction shall take place at the Closing Time at the offices of Aird & Berlis LLP, Brookfield Place, 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, or as otherwise determined by mutual agreement of the Parties in writing.

5.2 Purchaser's Deliveries on Closing

At or before the Closing Time, the Purchaser shall execute and deliver to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor and the Proposal Trustee, acting reasonably:

- (a) payment or evidence of payment of HST, or alternatively, appropriate exemption certificates, as required by Section 2.12;
- (b) a document specifying the Purchase Price allocation provided for in Section 2.10;
- (c) a certificate dated as of the Closing Date confirming that all the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Time, with the same effect as though made at and as of the Closing Time;
- (d) an acknowledgement dated as of the Closing Date that each of the conditions precedent in Section 4.1 of this Agreement has been fulfilled, performed or waived as of the Closing Time; and
- (e) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

5.3 Vendor's Deliveries on Closing

At or before the Closing Time, the Vendor shall execute and deliver to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) the Bill of Sale;
- (b) the Vendor's Certificate, as referred to in the Vesting Order;

- (c) a certificate dated as of the Closing Date confirming that all the representations and warranties of the Vendor contained in this Agreement are true as of the Closing Time, with the same effect as though made at and as of the Closing Time;
- (d) an acknowledgement dated as of the Closing Date that each of the conditions precedent in Section 4.2 of this Agreement has been fulfilled, performed or waived as of the Closing Time; and
- (e) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

5.4 **Possession of Purchased Assets**

The Vendor shall remain in possession of the Purchased Assets until Closing. On Closing, the Purchaser shall take possession of the Purchased Assets where situate at Closing. The Purchaser acknowledges that the Vendor has no obligation to deliver physical possession of the Purchased Assets to the Purchaser. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Section 5.2 of this Agreement. The Purchaser shall promptly notify the Vendor and the Proposal Trustee of any Excluded Assets which may come into the possession or control of the Purchaser, and shall promptly release such Excluded Assets to the Vendor, or to such other Person as the Vendor or the Proposal Trustee may direct in writing.

5.5 **Access to Purchased Assets**

The Purchaser may have reasonable access to the Purchased Assets during normal business hours prior to Closing for the purpose of enabling the Purchaser to conduct such inspections of the Purchased Assets as it deems appropriate. Such inspection shall only be conducted in the presence of a representative of the Vendor, if so required at the discretion of the Vendor. The Purchaser agrees to indemnify and save the Vendor harmless from and against all claims, demands, losses, actions and costs incurred or arising from or in any way directly related to the inspection of the Purchased Assets or the attendance of the Purchaser, its employees or agents to conduct such inspection.

5.6 **Risk**

The Purchased Assets shall be and remain at the risk of the Vendor to the extent of their interest until Closing and at the risk of the Purchaser from and after Closing. If, prior to Closing, the Purchased Assets are substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the Transaction. Such option shall be exercised within ten (10) Business Days after notification to the Purchaser by the Vendor of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within ten (10) Business Days of the Closing Date) in which event this Agreement shall be terminated automatically. If the Purchaser does not exercise such option, it shall complete the Transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser shall complete

the Transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction provided that such damage or destruction is insured or, otherwise, to an agreed abatement. For the purposes of this section, substantial damage or destruction shall be deemed to have occurred if the loss or damage to the Purchased Assets exceeds 15% of the total Purchase Price (inclusive of the Deposit).

5.7 **Dispute Resolution**

If any dispute arises with respect to the interpretation or enforcement of this Agreement, such dispute will be determined by the Court, or by such other Person or in such other manner as the Court may direct.

5.8 **Termination**

If either the Vendor or the Purchaser validly terminates this Agreement pursuant to the provisions of Sections 4.3 or 5.6,

- (a) the Deposit shall be returned to the Purchaser, and all other obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and
- (b) neither Party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

If the Purchaser validly terminates this Agreement pursuant to the provisions of Section 4.1,

- (a) the Deposit shall be returned to the Purchaser and all other obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and
- (b) the Purchaser shall not be entitled to any further rights or remedies available at law or in equity.

If the Vendor validly terminates this Agreement pursuant to the provisions of Section 4.2,

- (a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end; and
- (b) the Deposit shall be transferred to and become the Vendor's property as liquidated damages (and not as a penalty) to compensate it for the expenses incurred and the opportunities forgone as a result of the Purchaser's failure to close the Transaction in accordance with the terms of this Agreement, but the Vendor shall not be entitled to any further rights or remedies available at law or in equity.

5.9 Initial Order and Sale Process

The Parties acknowledge and agree that by no later than June 22, 2018, the Vendor shall obtain the Initial Order, which, amongst other things, shall recognize this Agreement and shall be in form and substance acceptable to the Purchaser, the Vendor and the Proposal Trustee. The Initial Order shall recognize the Purchase Price as a baseline or “stalking horse bid” (the “**Stalking Horse Bid**”), and shall also provide for a marketing process of the Purchased Assets by the Proposal Trustee, amongst others, with the potential for competitive bidding, to be administered by the Proposal Trustee, amongst others. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a Superior Bid can be obtained for the Purchased Assets.

If one or more Person(s) submits a Superior Bid on or before the Bid Deadline, the Proposal Trustee shall notify each of the bidder(s) who submitted a Superior Bid and the Stalking Horse Bidder that one or more Superior Bid(s) was received and shall invite each of them to submit a final offer which shall meet all the bid criteria set out in Section 1.1(ppp) of this Agreement (each a “**Final Offer**” and, collectively, the “**Final Offers**”) by 5:00 p.m. (Toronto time) on July 19, 2018 (the “**Final Offer Deadline**”).

The Proposal Trustee, exercising its reasonable business judgment, will select the best of the Final Offers (the “**Winning Bid**”). Upon acceptance of the Winning Bid, there shall be a binding agreement of purchase and sale between the successful winning bidder (the “**Winning Bidder**”) and the Vendor. The Vendor shall make a motion to the Court, returnable on or before August 3, 2018, to obtain an order to approve the agreement reached with the Winning Bidder and to vest the Purchased Assets in the Winning Bidder and proceed with closing such transaction forthwith, following which the Proposal Trustee shall return the Deposit to the Purchaser forthwith (unless the Winning Bidder is the Purchaser).

If no Superior Bid is received by the Bid Deadline, the Vendor shall bring a motion to the Court on a date returnable on or before August 3, 2018, to obtain an order to vest the Purchased Assets in the Purchaser and proceed with closing the Transaction forthwith.

5.10 The Break-Up Fee

In consideration for the Purchaser’s expenditure of time and money in acting as the initial bidder in the Stalking Horse Bid and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, the Initial Order shall also provide for liquidated damages in the amount of \$42,500.00 (the “**Break-Up Fee**”), payable by the Proposal Trustee to the Purchaser in the event that a Superior Bid is obtained for the Purchased Assets through the sale process and, as a consequence, all or substantially all the Purchased Assets are sold to a person or entity other than the Purchaser.

In the event that the Stalking Horse Bid is not chosen to be the Winning Bid, the Break-Up Fee shall be payable to the Purchaser from the sale proceeds derived from the Winning Bid. Each of the Parties acknowledges and agrees that the Break-Up Fee represents a fair and reasonable estimate of the costs and damages which will be incurred by the Purchaser as a result of non-completion of this Agreement, and is not intended to be punitive in nature or to discourage competitive bidding for the Purchased Assets.

SECTION 6 - GENERAL

6.1 Further Assurances

After the Closing, each of the Parties shall, at the request and expense of the other, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

6.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by e-mail, addressed in the case of the Purchaser, as follows:

Rampart Steel Treating Ltd.
1055 Pachino Court
Burlington, ON L7L 6B9

Attention: Marc Gauvin
E-mail: MGauvin@surfacetech.ca

with a copy to:

Frederikse Law
4391 Harvester Road, Unit 5A
Burlington, ON L7L 4X1

Attention: Barbara Frederikse
E-mail: barbara@frederlaw.ca

and in the case of the Vendor, as follows:

1760184 Ontario Ltd.
295 Arvin Avenue
Hamilton, ON L8E 2M1

Attention: Stuart Taube
E-mail: SstuarthTtaube@gmail.com

with a copy to:

Torkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Attention: Stewart Thom
E-mail: sthom@torkinmanes.com

and in the case of the Proposal Trustee, as follows:

A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, Ontario M5H 3S5

Attention: Peter Crawley
E-mail: pcrawley@farbergroup.com

with a copy to:

Aird & Berlis LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Attention: Ian Aversa
E-mail: iaversa@airdberlis.com

Any such notice or other communication, if given by personal delivery, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by e-mail before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by e-mail after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

6.3 Non Transferrable and Non Assignable Purchased Assets

To the extent that any of the Purchased Assets to be transferred to the Purchaser on the Closing, or any claim, right or benefit arising under or resulting from such Purchased Assets (collectively the “**Rights**”) is not capable of being transferred without the approval, consent or waiver of any third Person, or if the transfer of a Right would constitute a breach of any obligation under, or a violation of, any applicable law unless the approval, consent or waiver of such this Person is obtained, then, except as expressly otherwise provided in this Agreement and without limiting the rights and remedies of the Purchaser contained elsewhere in this Agreement, this Agreement shall not constitute an agreement to transfer such Rights unless and until (i) such approval, consent or waiver has been obtained or (ii) an order from the Court has been obtained by the Vendor transferring all such rights to the Purchaser, provided that the Purchaser shall first fund all costs and expenses and all payments to third parties and other amounts required to be paid or expended in connection with seeking such Order.

6.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties and the Proposal Trustee or by their respective solicitors.

6.5 **Currency**

Except where otherwise indicated, all references herein to money amounts are in Canadian currency.

6.6 **Tender**

Any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian chartered bank, by negotiable cheque payable in Canadian funds and certified by a Canadian chartered bank or trust company, or by wire transfer of immediately available funds to the account specified by that Party.

6.7 **Survival**

The representations and warranties of the Parties contained in this Agreement shall merge on Closing.

6.8 **Benefit of Agreement and Assignment**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. It is expressly agreed that the Purchaser may assign this Agreement without any further approval by the Vendor.

6.9 **Entire Agreement**

This Agreement, including the attached Schedules, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written instrument executed by the Parties.

6.10 **Paramountcy**

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

6.11 **Severability**

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provisions validity or enforceability in any other jurisdiction.

6.12 **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 each of the parties irrevocably attorns to the exclusive jurisdiction of the Court.

6.13 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

THIS AGREEMENT, executed by the Vendor as of the 15th day of June, 2018, is irrevocable and shall remain open for acceptance by execution of this Agreement by the Purchaser on or before 5:00 p.m. (Toronto time) on the 15th day of June, 2018, unless extended by the Vendor in writing, and may be accepted by the Purchaser up to that time by notice given to the Vendor in accordance with Section 6.2 herein, whereupon a binding agreement of purchase and sale will be constituted between the Vendor and the Purchaser as set forth above, and failing which this Agreement shall be null and void and not capable of acceptance by the Purchaser.

1760184 ONTARIO LTD.

By: 

Name: Stuart Taube

Title: Authorized Signing Officer

I have authority to bind the Corporation.

ACCEPTED this 15th day of June, 2018 by:

RAMPART STEEL TECHNOLOGIES LTD.

By: _____
Name: Marc Gauvin

Title: Authorized Signing Officer

I have authority to bind the Corporation.

THIS AGREEMENT, executed by the Vendor as of the 15th day of June, 2018, is irrevocable and shall remain open for acceptance by execution of this Agreement by the Purchaser on or before 5:00 p.m. (Toronto time) on the 15th day of June, 2018, unless extended by the Vendor in writing, and may be accepted by the Purchaser up to that time by notice given to the Vendor in accordance with Section 6.2 herein, whereupon a binding agreement of purchase and sale will be constituted between the Vendor and the Purchaser as set forth above, and failing which this Agreement shall be null and void and not capable of acceptance by the Purchaser.

1760184 ONTARIO LTD.


By: _____
Name: Stuart Taube

Title: Authorized Signing Officer

I have authority to bind the Corporation.

ACCEPTED this 15th day of June, 2018 by:

RAMPART STEEL TECHNOLOGIES LTD.

By:  _____
Name: Marc Gauvin

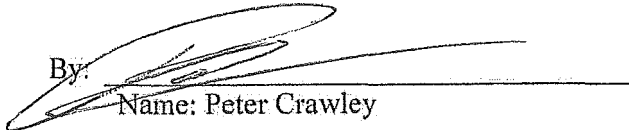
Title: Authorized Signing Officer

I have authority to bind the Corporation.

INTERVENTION

A. FARBER & PARTNERS INC., solely in its capacity as the proposal trustee of the Vendor, and not in its personal capacity, covenants and agrees to comply with its obligations in (and will have the benefit of) the provisions of Sections 1.1(kk), 1.1(xxx), 2.3, 2.9, 2.12, 5.2, 5.4, 5.9, 6.2 and 6.3 hereof.

A. FARBER & PARTNERS INC., solely in its capacity as the proposal trustee of the Vendor, and not in its personal or corporate capacity

By: 
Name: Peter Crawley
Title: Managing Director

Schedule "1.1(gg)"

Equipment & Personal Property

See attached.

	ITEM DESCRIPTION	SN	YEAR	COMMENTS
1	Vac. #1 BC-41831-1	SX8048	1960-1970	Vacuum Heat Treat-Temper- Annealing-etc 30H x 30W x 48D max temp 2400 F
2	Vac. #2 BC-41393-1		1960-1970	Vacuum Heat Treat-Temper- Annealing-etc 35w x 30h x60D max temp 2400 F
3	Vac. #3 Parts - TWIN of VAC #1			Broken used for parts; VRT still useful; 5% parts remaining
4	Vac. #4 Ipson KAF002		1960-1965	MODIFIED VACUUM PUMPS SYSTEM/2016 NEW TRANSFORMER
5	Air Draw #1 Lindburg		1960's	Tempering Furnace 12" dia x 18" depth max temp 1150 F
6	Air Draw #3	T.I.C	1993	Tempering Furnace 12W x 18H x 54D max temp 1400 F
7	Air Draw #6 Grieve	45107	1970's?	Tempering Furnace 48W X 48H X 48D max temp 400 F
8	Air Draw #7 Grieve	HX-1250/500014	1070's?	Tempering Furnace 48W X 48H X 48D max temp 1000 F
9	Air Draw #8 Grieve		1980	Tempering Furnace 60W X 60H X 48D max temp 1200 F
10	Sand Blast/Can Blast	MD.52M4.0002/ DCM330	1999	36 x 36 table; all glass, steel bead
11	Sand Blast	DP850	1960/1970's	Used for Silicon carbide TD stripping
12	Sursulf /Wade Combustion 09/07 + POT (3 yrs life left)		Sep-07	NATURAL GAS/2 BURNERS - Pot is 310S 28 Dia x 50 Deep
13	Oxy /Wade Combustion 09/08 + POT (new)		39326	NATURAL GAS/2 BURNERS - Pot is 310S 30 Dia x 54 Deep
14	One new spare Sursulph Pot 310 Stainless		2017	Pot size 30 dia x 54 deep
15	Sand Blast Rotary Delta Line	170218		UPGRADED SPEED CONTROLLER 40 Diameter
16	T.D. #1 #2009-15		2009-15	Not in use - needs complete rebuild (no pot) size was 26 dia x 54 deep
17	T.D. #2 / Wade Combustion #2009-15		2009-15	GAS FURNACE/4 BURNERS in use max temp 2,000 F
18	T.D. Inconell 601 SS Pot		2017	Pot size 26 dia x 54 deep (last 1-2 years)
19	Cooling Tower /Aqua Tower	148100-1/B22150A/4832	1995-1998	For Vacuum furnace water cooling approx 10 ton
20	TCM Tow motor	FG20-N2/55806193		4,000 lbs capacity
21	Pre-Heat Furnace Grieve	3550/T500		TD preheat and Tempering Furnace Box 60W X 48H X 60D max temp 700F
22	Cryo Freezer Cincinnati Sub Zero	808317		UPGRADED INSTRUMENTATION -100 degree F max
23	Rand Bright Polish	HD50		NOT USED IN 10 YRS OR MORE
24	Wash Tank -- Cold			25-3000 LITERS Carbon steel tank part wash and quench
25	Wash Tank -- Hot			2000-2500 LITERS/ELECTRIC HEAT 25-60 KW Part wash
26	Quench Oil Tank			3000 LITERS/QUENCH BRIGHT A.A.A. (oil type)
27	2-Compressors	C20 (BOTH UNITS)	2010-2012	125 PSI one is used as back up
28	Kaiser Air Dryer	TD61	2000-2003	
29	Park Thermal Carburizing Furnace		SHELL OF FURNACE	UNSAFE/INOPERATION UPGRADED max temp 1,700 F
30	Carburizing Pot (3-5 old)			Pot 310 ss 28 DIA X 54 Deep
31	Welding Equipment Miller 250/MIG	KJO28069		Stock#903293
32	Air Draw #10 Lindberg	13374		Tempering Furnace 12W x 12H x 35 deep Max temp 1,000 degrees
33	Wilson Hardness Testers 3-JR	12452/581		
34	Hardness Terster Superficial/ 3-JS	9120		
35	Rockwell Tester	HR-15CA/ 1270	2000	NOT IN USE - missing parts
36	R&D Furnace Barnsteed 1500	FD1535M		VIN#1170051224933 6"W x 6"H x 12"D max temp 2000 F
37	Crane Air Hoist Munck	SE1739		1 HALF TON south side of building
38	1-Fast Speed Crane 1 Ton Munck	1-002943		
39	1- Fast Speed Crane 1 Ton Munck	2-99-2759		
40	Micro Hardness Tester	78332		lab
41	X-ray Portable Analyzer	5CON4207	2016	PMI GUN lab
42	Park Boronizing Furnace	M5866	2016	Rebuilt by Park Thermal/Wade 30W x 30H x 48D tempt 2,000 F max
43	Yale Forklift			NOT USED/UNSAFE
44	Buehler Metaserv 250 Mod. 49-10055 Wet Grinder	703-MGC-00925		lab
45	Variable Speed 6" Cut-off Machine (MV660)		2016	lab
46	Pre-Heat/Kilm-1	106155		Rebuilt electrical/instaments by Wade 18" dia x 30 D temp 750 F max
47	Pre-Heat/Kilm	129013		Rebuilt electrical/instaments by Wade 18" dia x 30 D temp 750 F max
48	X-ray Thickness Gauge/ SFT3200-071609	SFT3200-071609		lab
49	Optical Microscope inverted X1000/	1213885-4	2014	INVERTED UP TO X1000 - lab
50	Portable Hardbness Tester Scale	ISH-SPHA		INsize - lab
51	Mounting Press/Buehler Ltd.	703-NGC-00925		lab
52	2013 Ford E 250		2013	New motor, tires brakes
53	Office equipment			Misc 6 desks (old)
54	Computer equipment			5 computers old/3 printers old
55	Sand Blaster - Empire Abraisive Equip	31205	2016	48w x 18 deep x 24 high
56	Arc Welder - Lincoln	K053		quite old
57	Vacuum furnace #5	65-0405-0001/MW1002		New purchase not installed 6w x 6h x 12d
58	New Vacuum Furnace #3	54785	1969	New purchase not installed 12W x 6W x 24D
59	Lifting device 1	58042		1,500 lbs not used belongs to the New Vac 3 above
60	Lifting device 2			1,500 lbs for boronizing furnace
61	Lifting device 3	36092		1,200 lbs for Vac 1
62	Lifting device 4	H-11355-1		4,000 lbs for Vac 2
63	Lifting device 5	53677	1967	800 lbs for Vac 4
64	Lathe		2001	Polishing room
65	1 TRINCO DUST COLLECTOR			Polishing room
66	Polish Room Tooling			Various not worth detailing small grinders etc
67	Fixtures/Fans			6 or 7 old fans; pans, trays, baskets, plates for heat treat process
68	Misc. Tools			Hand drills, drill press, grinders, wrenches, etc
	Misc. Tools - Lot			
	Ford 350			
	Inconell Pot	duplicate		this is with furnace above (item 18)
	Carburizing Pot	duplicate		this is with furnace above (item 30)
	Spectroline FC150 partical inspection machine	duplicate		this is with furnace above (item 41)
	Fisher elements top/bottom inside furnace			these are spare parts \$500 only
	Fisher elements side inside furnace			used
	Gizmo T5 digital timer			
	Earthquake mini vibrator			not in use
	KRED fabricated baskets			consumable production trays not worth anything
	National Calibration Knoop Identifier			
	Roots Lobe Rotary Booster 74-24443			Pump/Blower with Stokes Microvac pump and cooling system stored outside
	Economite 6464 Burner Motor			
	Stokes microvac			

Schedule "1.1(hh)"

logos, tradenames and trademarks

SURFACE HEAT TREAT AND COATINGS

Schedule "1.1(yy)"

Permits

None.

Schedule "1.1(kkk)"

Real Property Leases

1. none

Schedule "2.8"

AR Collection Agreement

See attached.

RECEIVABLES COLLECTION AGREEMENT

THIS AGREEMENT made the 15th day of June, 2018.

AMONG:

1760184 ONTARIO LTD., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the “**Vendor**”)

- and -

RAMPART STEEL TREATING LTD., a corporation incorporated under the laws of the Province of Ontario

(hereinafter referred to as the “**Purchaser**”)

- and -

A. FARBER & PARTNERS INC., in its capacity as Proposal Trustee of the Vendor

(hereinafter referred to as the “**Proposal Trustee**”)

WHEREAS:

- A. Pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), the Vendor filed a notice of intention to make a proposal on June 15, 2018 (the “**NOI**”), and the Proposal Trustee was named as the proposal trustee of the Vendor;
- B. The Purchaser entered into a stalking horse agreement of purchase and sale with the Vendor dated June 15, 2018 (the “**Stalking Horse APS**”) to purchase substantially all of the property, assets and undertaking of the Vendor, which Stalking Horse APS is subject to, among other things, approval by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”); and
- C. Pursuant to the Stalking Horse APS, the Purchaser has also agreed to collect certain accounts receivable of the Vendor on the terms and conditions set out herein.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and for other good and valuable consideration as set out herein, the receipt and sufficiency whereof are hereby acknowledged:

1. The Purchaser agrees to act as exclusive agent for the Vendor with respect to the collection of the accounts receivable of the Vendor set out on Schedule “A” attached hereto (collectively, the “**Accounts Receivable**”), in the manner and on the terms set out herein.

2. The parties hereto acknowledge that the Accounts Receivable are not being assigned to the Purchaser. Any rights and obligations referred to herein in relation to the collection of the Accounts Receivable are granted to the Purchaser solely in its capacity as exclusive agent for the Vendor, and not in its personal capacity.
3. As exclusive agent for the Vendor, the Purchaser shall use reasonable commercial efforts to collect the Accounts Receivable, and shall direct all payees to remit any payable amounts to the Proposal Trustee.
4. In the course of collecting the Accounts Receivable, the Purchaser shall not:
 - (a) compromise any Accounts Receivable without the prior written consent of the Proposal Trustee;
 - (b) institute any legal proceedings with respect to the Accounts Receivable without the prior written consent of the Proposal Trustee; or
 - (c) engage any collection agency or other third party to collect the Accounts Receivable.
5. The parties hereto agree that the Purchaser shall be paid a commission of 5% of the dollar amount of the Accounts Receivable that are collected and remitted to the Proposal Trustee (the "**Commission**").
6. On the last day of each month following the execution of this Agreement, the Purchaser shall prepare an Accounts Receivable status update (the "**Update**") detailing:
 - (a) the dollar amount of Accounts Receivable that the Purchaser has collected and remitted to the Proposal Trustee since the last Update;
 - (b) the dollar amount of Accounts Receivable considered uncollectible; and
 - (c) the dollar amount of Accounts Receivable which remain outstanding,which Update shall be sent to the Vendor and copied to the Proposal Trustee.
7. The Proposal Trustee shall pay the applicable Commission to the Purchaser within five business days of receipt of the Update.
8. This Agreement shall continue in effect for twelve (12) months from the date hereof unless terminated earlier. Either party may terminate this Agreement by giving notice by personal delivery, or email to the other on not less than 15 days' notice.
9. Upon the expiration or termination of this Agreement the Purchaser will forward to the Vendor and the Proposal Trustee all invoices, accounts, correspondence, account ledgers and documents of any and all kinds with respect to all outstanding Accounts Receivable.
10. This Agreement may not be assigned by the Purchaser.

11. The execution of this Agreement by the Proposal Trustee is conditional upon the Proposal Trustee obtaining Court approval of this Agreement.
12. The execution of this Agreement by the Vendor is conditional upon the Vendor obtaining Court approval of the Stalking Horse APS and of this Agreement.
13. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.
14. This Agreement shall be governed by the laws of the Province of Ontario, and the laws of Canada applicable therein and each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.
15. Any notice required hereunder or by reason of the application of any law shall be in writing and may be delivered personally or transmitted by e-mail, addressed as follows:

(a) if to the Vendor:

1760184 Ontario Ltd.
295 Arvin Avenue
Hamilton, ON L8E 2M1
Attention: Stuart Taube
E-mail: SstuarthTtaube@gmail.com

with a copy to:

Torkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Attention: Stewart Thom
E-mail: sthom@torkinmanes.com

(b) if to the Purchaser:

Rampart Steel Treating Ltd.
1055 Pachino Court
Burlington, ON L7L 6B9

Attention: Marc Gauvin
E-mail: MGauvin@surfacetech.ca

with a copy to:

Frederikse Law
4391 Harvester Road, Unit 5A
Burlington, ON L7L 4X1

Attention: Barbara Frederikse
E-mail: barbara@frederlaw.ca

(c) if the Proposal Trustee:

A. Farber & Partners Inc.
150 York Street, Suite 1600
Toronto, ON M5H 3S5

Attention: Peter Crawley
E-mail: pcrawley@farbergroup.com

with a copy to:

Aird & Berlis LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Attention: Ian Aversa
E-mail: iaversa@airdberlis.com

Any such notice or other communication, if given by personal delivery, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by e-mail before 5:00 p.m. (Toronto time) on a business day, will be deemed to have been given on such business day, and if transmitted by e-mail after 5:00 p.m. (Toronto time) on a business day, will be deemed to have been given on the business day after the date of the transmission.

[THE REMAINDER OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK]

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

1760184 ONTARIO LTD.

By: _____

Name: Stuart Taube

Title: Authorized Signing Officer

I have authority to bind the Corporation.

RAMPART STEEL TECHNOLOGIES LTD.

By: _____

Name: Marc Gauvin

Title: Authorized Signing Officer

I have authority to bind the Corporation.

A. FARBER & PARTNERS INC., solely in its capacity as the proposal trustee of the Vendor, and not in its personal or corporate capacity

By:

Name:

Title:

SCHEDULE A

[list of Accounts Receivable]

32535147.4

Schedule "4.2(c)"

Agreement of Purchase and Sale re 295 Arvin Avenue

See attached.

32399984.5

AGREEMENT OF PURCHASE AND SALE
- 295 Arvin Avenue, Stoney Creek -

THIS AGREEMENT is dated for reference as of June 15, 2018.

BETWEEN:

J.J. ABRAM CONSULTING INC.
(the “**Vendor**”)

OF THE FIRST PART,

- and -

DANERICO INC.
(the “**Purchaser**”)

OF THE SECOND PART.

RECITAL:

- A. The Vendor and Purchaser have agreed to enter this Agreement to set forth the terms whereby the Purchaser has agreed to purchase, and the Vendor has agreed to sell, the Purchased Assets.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and the non-refundable sum of Ten (\$10.00) Dollars paid by the Purchaser to the Vendor and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

- (1) The terms defined herein shall have, for all purposes of this Agreement, the following meanings, unless the context expressly or by necessary implication otherwise requires:
- (a) “**Adjustment Date**” means the day preceding the Closing Date.
 - (b) “**Adjustments**” means the adjustments to the Purchase Price provided for and determined pursuant to Section 3.3.
 - (c) “**Affiliate**” shall have the meaning ascribed thereto in the *Business Corporations Act* (Ontario).
 - (d) “**Agreement**” means this agreement of purchase and sale and the schedules attached hereto, as amended from time to time; “Article”, “Section” and

“Subsection” mean and refer to the specified article, section and subsection of this Agreement.

- (e) “**Balance**” has the meaning assigned in Section 3.2.
- (f) “**Building**” means, collectively, the building(s) and fixed improvements located on, in or under the Lands.
- (g) “**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in Toronto, Ontario.
- (h) “**Chattels**” means the equipment, inventory, supplies and other chattels located in the Building which are owned by the Vendor (other than as an equipment lessee pursuant to a Contract) and used in the maintenance, repair and operation of the Property.
- (i) “**Closing**” means the closing and consummation of the agreement of purchase and sale for the Purchased Assets, including without limitation the payment of the Purchase Price and the delivery of the Closing Documents, on the Closing Date at the offices of the Vendor’s Solicitors.
- (j) “**Closing Date**” means the date on which the transaction provided in the Opco APS (as defined in Section 5.1) closes.
- (k) “**Closing Documents**” means the agreements, instruments and other documents to be delivered by the Vendor to the Purchaser pursuant to Section 6.1 and the agreements, instruments and other documents to be delivered by the Purchaser to the Vendor pursuant to Section 6.2.
- (l) “**Contracts**” means any and all contracts and agreements (other than policies of insurance) relating to the Purchased Assets to which the Vendor is a party or which have been assigned to the Vendor, or by which the Vendor, in its capacity as owner of the Purchased Assets is bound, in respect of the ownership, development, maintenance, operation, cleaning, security, fire protection or servicing of the Purchased Assets in effect as at the Execution Date, and all contracts and agreements relating to any equipment or other assets leased by the Vendor and located on or in the Property in effect as at the Execution Date, as well as those entered into by the Vendor in the normal course of business after the Execution Date and prior to the Closing, but excluding, for greater certainty, any asset and property management agreements or any employment contracts between the Vendor and any of its employees.
- (m) “**Deposit**” has the meaning assigned in Section 3.1.
- (n) “**DRA**” has the meaning assigned in Section 6.4.
- (o) “**Encumbrances**” means all mortgages, pledges, charges, liens, prior liens, debentures, hypothecs, trust deeds, assignments by way of security, security

interests, conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, the Purchased Assets or any part thereof or interest therein, and any agreements, Leases, options, easements, rights of way, servitudes, restrictions, executions or other charges or encumbrances (including notices or other registrations in respect of any of the foregoing) against title to the Purchased Assets or any part thereof or interest therein.

- (p) “**Environmental Laws**” means all statutes, by-laws, regulations, rules, orders, permits and requirements concerning discharges to the air, soil, surface water or ground water concerning the refining, generating, handling, storing, treating, transferring, releasing, producing, processing, transporting or disposing of Hazardous Substances.
- (q) “**Execution Date**” means the date identified at the top of page 1 of this Agreement.
- (r) “**Governmental Authority**” means any government, regulatory authority, government department, agency, utility, commission, board, tribunal or court having jurisdiction on behalf of any nation, province or state or other subdivision thereof or any municipality, district or other subdivision thereof.
- (s) “**Hazardous Substances**” means any hazardous substance, and includes without limitation, asbestos, poly-chlorinated biphenyls; or any substance or material which does not occur naturally in soil or which falls within definition of “waste”, “special waste”, “hazardous chemicals”, “hazardous waste”, “dangerous goods”, “toxic substances”, any variation of such terms or any terms of similar import in the *Environmental Protection Act* (Ontario), the *Canadian Environmental Act* (Canada), the *Transportation of Dangerous Goods Act* (Canada), each as at the date hereof, or in any other federal, provincial, municipal or other governmental or regulatory laws and rules now or at any later time in effect relating to the environment, occupational safety, health or transportation.
- (t) “**HST**” means the goods and services tax and/or the harmonized sales tax payable pursuant to the *Excise Tax Act* (Canada), as amended from time to time.
- (u) “**HST Undertaking and Indemnity**” has the meaning assigned in Section 6.3.
- (v) “**Lands**” means the lands and premises municipally known as 295 Arvin Avenue, Stoney Creek, Ontario, and legally described in Schedule “A” attached hereto.
- (w) “**Notice**” has the meaning assigned in Section 8.16.
- (x) “**Permitted Encumbrances**” means the Encumbrances listed in Schedule “B” attached hereto.
- (y) “**Person**” means an individual, partnership, corporation, trust, unincorporated organization, government, or any department or agency thereof, and the successors

and assigns thereof or the heirs, executors, administrators or other legal representatives of an individual.

- (z) **“Property”** means the Lands and Building.
- (aa) **“Purchased Assets”** means all of the Vendor’s right, title and interest in and to:
 - (i) the Property;
 - (ii) the Contracts to be assumed by the Purchaser (if any); and
 - (iii) the Chattels.
- (bb) **“Purchase Price”** means \$675,000, plus HST.
- (cc) **“Purchaser’s Solicitors”** means the solicitors retained by the Purchaser to complete the Transaction.
- (dd) **“Survival Period”** has the meaning assigned in Section 7.3(1).
- (ee) **“Transaction”** means the purchase and sale of the Purchased Assets provided for in this Agreement.
- (ff) **“Vendor’s Solicitors”** means the solicitors retained by the Vendor to complete the Transaction.

1.2 Schedules

- (1) The following schedules attached hereto form part of this Agreement:
 - (a) Schedule “A” - Lands - Legal Description
 - (b) Schedule “B” - Permitted Encumbrances

ARTICLE 2 AGREEMENT OF PURCHASE AND SALE

2.1 Purchase and Sale of the Purchased Assets

- (1) Upon and subject to the terms and conditions of this Agreement, the Vendor will sell, and the Purchaser will purchase, the Purchased Assets in consideration of the payment of the Purchase Price. This Agreement shall be completed on the Closing Date at the offices of the Vendor’s Solicitors in Toronto, subject to real property registrations being electronically effected in the appropriate land registry office.
- (2) The Purchaser’s agreement to purchase, and the Vendor’s agreement to sell, the Purchased Assets extends to the Purchased Assets in their entirety, and does not constitute an agreement of purchase and sale in respect of discrete Purchased Assets independently of other Purchased Assets.

2.2 Binding Agreement

- (1) The agreements of the Vendor and the Purchaser set forth in Section 2.1 create and constitute a binding agreement of purchase and sale for the Purchased Assets in accordance with the provisions of this Agreement.

2.3 Authorizations

- (1) The Vendor shall deliver to the Purchaser, within three Business Days after receipt, authorizations prepared by the Purchaser's Solicitors to Governmental Authorities necessary to permit the Purchaser to obtain information from the files of such Governmental Authorities provided such authorizations explicitly do not authorize or result in any inspections with respect to the Property. The Purchaser covenants and agrees with the Vendor that it will not request, directly or indirectly, any such inspection.

2.4 Deliveries

- (1) The Vendor has made or will make available to the Purchaser within three Business Days after the Execution Date the following documents relating to the Purchased Assets to the extent in the Vendor's possession or control:
 - (a) all plans, specifications and drawings for the Building;
 - (b) a phase 1 environmental assessment relating to the Property;
 - (c) copies of any and all environmental, soils, geotechnical and other reports relating to the Property;
 - (d) copies of the Contracts; and
 - (e) copies of outstanding work orders, notices, directives or letters of non-compliance issued by any Governmental Authority affecting the Property, if any.

2.5 Acknowledgement of Purchaser as to Condition of Lands

- (1) Subject to the representations and warranties as provided by Section 7.1, the Purchaser acknowledges and agrees that:
 - (a) on Closing, title to the Lands shall be subject to the Permitted Encumbrances;
 - (b) in entering into this Agreement, the Purchaser has relied and will continue to rely upon its own inspections and investigations with respect to the Purchased Assets; and
 - (c) the Purchased Assets are being purchased and assumed by the Purchaser on an "as is, where is" basis as of the Closing Date.

- (2) The Vendor shall have no obligations or responsibilities to the Purchaser after Closing with respect to any matter relating to the Purchased Assets or the condition thereof save as otherwise expressly provided in this Agreement. This Section 2.5 shall survive Closing.

2.6 Searches and Examination

- (1) The Vendor will permit the Purchaser, its agents and representatives to carry out, at the Purchaser's sole expense and risk, such tests and investigations and inspections as the Purchaser may deem necessary with respect to the Property, provided that the Purchaser shall provide at least two Business Days' Notice to the Vendor of any such tests and inspections and the Vendor will be entitled to have a representative present during all such tests and inspections. In the event that the Transaction does not close, the Purchaser agrees to reinstate the Property and to indemnify and hold harmless the Vendor in respect of all costs which relate to repairs or other work required to be done to the Property to return it to its original condition immediately prior to the conduct of any testing performed by the Purchaser or its agents or representatives. In such case, the Vendor shall be permitted to apply all or part of the Deposit, if otherwise returnable to the Purchaser, to those costs for which the Purchaser is responsible under this section.

ARTICLE 3 PURCHASE PRICE

3.1 Deposit

- (1) Within two Business Days following the Execution Date, the Purchaser shall pay \$101,250 by certified cheque or wire transfer to the Vendor's Solicitors to be held by the Vendor's Solicitors in trust in an interest bearing bank account as a first deposit (the "**Deposit**").
- (2) Subject to section 2.6 herein, if the Transaction is not completed for any reason except the default of the Purchaser, the Deposit (together with all interest thereon, less the non-refundable amount of \$10 referenced on the first page of this Agreement) shall be returned to the Purchaser within five Business Days in full satisfaction of any claims the Purchaser may have for failure to complete the Transaction. If the Transaction is not completed as a result of default by the Purchaser, then the Vendor shall be entitled to retain the Deposit and accrued interest in addition to all other rights and remedies of the Vendor at law or in equity. If the Transaction is completed, then forthwith after Closing the Vendor's Solicitors shall release the Deposit to the Vendor and the interest earned on the Deposit to the Purchaser.

3.2 Payment of Purchase Price

- (1) The Purchase Price shall be paid by the Purchaser to the Vendor as follows:
 - (a) the Deposit shall be paid in accordance with Section 3.1; and
 - (b) the balance of the Purchase Price (the "**Balance**") shall be paid by wire transfer to the Vendor's Solicitors (or as the Vendor may otherwise direct) on Closing, subject to the Adjustments.

3.3 Adjustments

- (1) The adjustments shall include all realty taxes, rents, operating cost recoveries, local improvement rates and charges, water and assessment rates and other adjustments established by usual practice in the province of Ontario for the purchase and sale of similar properties (the “**Adjustments**”). In addition, the Adjustments shall include the other matters referred to in this Agreement which are stated to be the subject of adjustment and shall exclude other matters in this Agreement which are stated not to be the subject of adjustment.
- (2) Adjustments shall be made as of 11:59 p.m. (Toronto time) on the Adjustment Date. From and after such date and time, the Purchaser shall be responsible for all expenses in respect of, and (except as otherwise provided herein) shall be entitled to all income from, the Purchased Assets. The Vendor shall be responsible for all expenses and entitled to all income from the Purchased Assets for that period ending on 11:59 p.m. on the Adjustment Date.
- (3) If any item subject to adjustment cannot be determined on Closing, an estimate shall be made by the Vendor and the Purchaser, acting reasonably, for purposes of Closing and a final adjustment shall be made when the particular item can be determined. The provisions of this Section 3.3 shall not merge on, but shall survive, Closing.

ARTICLE 4 ADDITIONAL COVENANTS AND OBLIGATIONS

4.1 Operation Before Closing

- (1) Subject to Section 4.3(1), from the date hereof until Closing, the Vendor shall operate the Property in accordance with sound business and management practices as would a prudent owner of a comparable property carrying out all routine day to day repairs and maintenance thereof.

4.2 Damage Before Closing

- (1) The interest of the Vendor in and to the Purchased Assets being purchased, acquired and assumed by the Purchaser pursuant to the terms and conditions of this Agreement shall be at the risk of the Vendor until Closing except as otherwise provided for herein. Notwithstanding the foregoing, if any loss or damage occurs to any portion of the Property prior to Closing, the Purchaser shall be required to complete this Transaction, but shall be entitled to the proceeds of insurance, if any, in respect of the loss or damage and the Vendor shall pay any deductible in respect of such loss or damage.

4.3 Leasing

- (1) The Vendor and the Purchaser agree that, from and after the Execution Date, the Vendor shall not enter into any leases, licences, or other agreement to occupy relating to the Property without the consent of the Purchaser, acting reasonably.

ARTICLE 5 CONDITIONS

5.1 Conditions in Favour of Vendor

- (1) The obligation of the Vendor to complete the Transaction shall be subject to the following conditions:
 - (a) on Closing, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser shall have been complied with or performed in all material respects;
 - (b) on Closing, the representations and warranties of the Purchaser set out in Section 7.2 shall be true and accurate in all material respects; and
 - (c) Rampart Steel Treating Ltd. (the "**Opco Purchaser**") shall have entered into a binding agreement of purchase and sale to purchase substantially all of the assets, undertakings and properties of 1760184 Ontario Ltd. (the "**Opco APS**");
 - (d) the Opco Purchaser shall have been selected as the Winning Bidder, as defined under the Opco APS;
 - (e) the transaction contemplated by the Opco APS shall close at the same time as the Transaction.
- (2) The conditions set forth in Section 5.1 are for the benefit of the Vendor and may be waived in whole or in part by the Vendor by Notice to the Purchaser prior to the applicable date for the satisfaction of each such condition.

5.2 Conditions in Favour of Purchaser

- (1) The obligation of the Purchaser to complete the Transaction shall be subject to the following conditions:
 - (a) on Closing, all of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor shall have been complied with or performed in all material respects;
 - (b) on Closing, the representations and warranties of the Vendor set out in Section 7.1 shall be true and accurate in all material respects; and
 - (c) the Opco Purchaser shall have entered into the Opco APS;
 - (d) the Opco Purchaser shall have been selected as the Winning Bidder, as defined under the Opco APS;
 - (e) the transaction contemplated by the Opco APS shall close at the same time as the Transaction.

- (2) The conditions set forth in Section 5.2 are for the benefit of the Purchaser, and may be waived in whole or in part by the Purchaser by Notice to the Vendor prior to the applicable date for the satisfaction of each such condition.

5.3 Non-Satisfaction of Conditions

- (1) If any of the conditions in Sections 5.1 or 5.2 is not satisfied or waived on or before the applicable date/time, this Agreement shall be deemed to be terminated, null and void and of no further force or effect whatsoever, the Deposit and interest earned thereon shall be returned to the Purchaser, and each of the Vendor and Purchaser shall be released from all liabilities and obligations under this Agreement unless any such condition has not been satisfied as a result of a default by the Purchaser or Vendor, and save and except for those provisions which expressly survive termination of this Agreement.

5.4 Efforts to Satisfy Conditions

- (1) Without derogating from the other party's obligations under this Agreement (including, in the case of the Purchaser, the obligation to pay the Purchase Price as provided for in this Agreement) it is agreed that each of the Vendor and Purchaser, as applicable, shall act in good faith and use reasonable commercial efforts to satisfy, or cause to be satisfied, the conditions set forth in Sections 5.1 and 5.2.

5.5 Title Requisitions

- (1) The Vendor and Purchaser acknowledge and agree that if, prior to 5:00 p.m. on that day which is ten Business Days prior to the Closing Date, the Purchaser delivers to the Vendor in writing any valid and material objection or requisition as to the title of the Lands and which the Vendor is unable or unwilling to satisfy and which the Purchaser will not waive, then this Agreement shall be null and void and of no further force or effect (except as expressly provided herein), and the Deposit and accrued interest shall be returned to the Purchaser. Save for any requisitions made by such date and any requisitions made thereafter going to the root of title, the Purchaser shall be deemed to have accepted the state of the Vendor's title to the Lands. Notwithstanding the foregoing, the Purchaser acknowledges and agrees that title to the Lands will be subject to the Permitted Encumbrances and the Purchaser agrees to accept title to the Lands subject to Permitted Encumbrances.

ARTICLE 6 CLOSING DOCUMENTS

6.1 Vendor's Closing Documents

- (1) On or before Closing, subject to the provisions of this Agreement, the Vendor shall prepare and execute or cause to be executed and shall deliver or cause to be delivered to the Purchaser the following:
 - (a) Transfer/Deed, or such other appropriate conveyance document, relating to the Property in favour of the Purchaser, in registerable form, and containing the

statements of the Vendor and Vendor's Solicitors under Section 50(22) of the *Planning Act* (Ontario);

- (b) a bill of sale with respect to the Vendor's interest, if any, in any Chattels;
 - (c) a direction as to the payee or payees of the Purchase Price;
 - (d) a statement of adjustments to be delivered at least five Business Days before Closing;
 - (e) an undertaking by the Vendor to re-adjust the Adjustments;
 - (f) a certificate pursuant to Section 116 of the *Income Tax Act* (Canada) in respect of the Transaction;
 - (g) an assignment and assumption of those Contracts which the Purchaser wishes to assume (if any);
 - (h) a bring-down certificate stating that the representations and warranties of the Vendor expressed herein are true and correct as of the Closing Date;
 - (i) all keys to the Building, to the extent they are in the Vendor's possession or control; and
 - (j) all other conveyances and documents which are required and which the Purchaser has reasonably requested on or before the Closing Date to give effect to the proper transfer, assignment and conveyance by the Vendor to the Purchaser of the Purchased Assets, free and clear of all Encumbrances other than the Permitted Encumbrances.
- (2) All documentation shall be in form and substance acceptable to the Purchaser and the Vendor each acting reasonably and in good faith, provided that none of such documents shall contain covenants, representations or warranties which are in addition to or more onerous upon either the Vendor or the Purchaser than those expressly set forth in this Agreement.

6.2 Purchaser's Closing Documents

- (1) On or before Closing, subject to the provisions of this Agreement, the Purchaser shall execute or cause to be executed and shall deliver or cause to be delivered to the Vendor's Solicitors the following:
- (a) the Balance;
 - (b) an undertaking by the Purchaser to re-adjust the Adjustments;
 - (c) the HST Undertaking and Indemnity;

- (d) an assignment and assumption of those Contracts which the Purchaser wishes to assume (if any);
 - (e) a bring-down certificate stating that the representations and warranties of the Purchaser expressed herein are true and correct as of the Closing Date; and
 - (f) all other documents which the Vendor reasonably requests to give effect to the proper transfer, assignment and conveyance by the Vendor to the Purchaser of the Purchased Assets, free and clear of all Encumbrances other than the Permitted Encumbrances.
- (2) All documentation shall be in form and substance acceptable to the Purchaser and the Vendor each acting reasonably and in good faith, provided that none of such documents shall contain covenants, representations or warranties which are in addition to or more onerous upon either the Vendor or the Purchaser than those expressly set forth in this Agreement.

6.3 Registration and Other Costs

- (1) The Vendor shall be responsible for the costs of the Vendor's Solicitors in respect of this Transaction. The Purchaser shall be responsible for the costs of the Purchaser's Solicitors in respect of this Transaction. The Purchaser shall be responsible for and shall pay any land transfer tax payable on the transfer of the Property, all registration fees payable in respect of registration by it of any documents on Closing (other than discharges of Encumbrances which are required to be made by the Vendor, which shall be the responsibility of the Vendor) and all federal and provincial sales and other taxes payable by a purchaser upon or in connection with the conveyance or transfer of the Property, including provincial retail sales tax and HST; provided, however, that the Purchaser shall not be required to pay HST to the Vendor on Closing if it delivers an undertaking from the ultimate beneficial purchaser of the Property to remit HST in accordance with applicable legislation, confirmation that it is a "registrant" under the *Excise Tax Act* (Canada) prior to Closing and an indemnity on the terms set out below (the "**HST Undertaking and Indemnity**").
- (2) The Purchaser shall indemnify and save harmless the Vendor and its shareholders, directors, officers, employees, advisors and agents from all claims, suits, action or proceedings whatsoever incurred, suffered or sustained as a result of a failure by the Purchaser:
- (a) to pay any federal, provincial or other taxes payable by the Purchaser in connection with the conveyance or transfer of the Property whether arising from a reassessment or otherwise, including HST, if applicable; and/or
 - (b) to file any returns, certificates, filings, elections, notices or other documents required to be filed by the Purchaser with any federal, provincial or other taxing authorities in connection with the conveyance or transfer of the Purchased Assets.

6.4 Escrow Closing and Registration

- (1) It is a condition of Closing that all matters of payment and the execution and delivery of Closing Documents by each party to the other shall be deemed to be concurrent requirements and it is specifically agreed that nothing will be complete at the Closing until everything required at the Closing has been paid, executed and delivered.
- (2) The Vendor and Purchaser covenant and agree to cause their respective solicitor to enter into a document registration agreement (the “**DRA**”) in the form recommended by the Law Society of Upper Canada to govern the electronic submission of the transfer/deed for the Lands located within the Province of Ontario to the applicable land registry office.

ARTICLE 7 REPRESENTATIONS, WARRANTIES AND COVENANTS

7.1 Vendor’s Representations

- (1) The Vendor hereby represents and warrants to and in favour of the Purchaser that:
 - (a) it is a corporation duly incorporated and subsisting under the laws of Ontario and has the power, authority, right and capacity to own the Purchased Assets, enter into, execute and deliver this Agreement and the documents contemplated herein, and to carry out the Transaction, on the terms and conditions herein contained;
 - (b) it is not a non-resident of Canada within the meaning of Section 116 of the *Income Tax Act* (Canada);
 - (c) there are no leases, agreements to occupy or other agreements which grant a right of possession or occupancy to any party other than the Vendor with respect to the Property or the Building or any part thereof;
 - (d) immediately prior to Closing, the Vendor will be the registered owner of the Property free and clear of all Encumbrances other than the Permitted Encumbrances;
 - (e) there are no Contracts except as disclosed to the Purchaser, and such Contracts are true and complete copies of the only contracts of a material nature. For clarity, the parties acknowledge and agree that the Purchaser shall not be obligated to assume any Contract relating to the maintenance, operation or management of the Property and the Vendor shall terminate all such Contracts as of the Closing Date, at the Vendor’s sole cost and expense;
 - (f) all accounts for work and services performed or materials placed or furnished upon or in respect of construction at the Property will have been fully paid by Closing and no Person shall be entitled to register a claim for lien against the Property relating to such work, services or materials;

- (g) the Vendor has not received any notice from the Ministry of the Environment or from any other Governmental Authority of any violations of any Environmental Laws with respect to the Property or of any administrative or judicial judgment, order or decree relating to the release, discharge, emission or disposal of Hazardous Substances in, on, over, under, at or from the Property;
- (h) to the Vendor's knowledge, there are no agreements relating to the Property with any Governmental Authority or any adjacent land owner which are not registered on title; and
- (i) there are no employees employed by the Vendor in connection with the Property in respect of which the Purchaser will incur any liabilities whatsoever as a result of the completion of the Transaction and there are no collective bargaining agreements in place with respect to the Property.

7.2 Purchaser's Representations

- (1) The Purchaser hereby represents and warrants to and in favour of the Vendor that, as of the date of this Agreement and as of the Closing Date:
 - (a) the Purchaser is a corporation existing under the laws of Province of Ontario and has the necessary corporate authority, power and capacity to own the Purchased Assets, enter into this Agreement and the documents contemplated herein, and carry out the Transaction, on the terms and conditions herein contained;
 - (b) the agreement of purchase and sale constituted on the execution and delivery of this Agreement, the obligations hereunder, the Transaction, and the documents contemplated herein, have been authorized by all requisite corporate proceedings and constitute legal, valid and binding obligations of it enforceable against it in accordance with their terms; and
 - (c) the Person who at Closing purchases the beneficial interest in the Purchased Assets will be a registrant for the purposes of Part IX of the *Excise Tax Act* (Canada).

7.3 Survival of Representations

- (1) The representations, warranties and certifications contained in this Agreement or in any Closing Documents shall not merge on Closing but shall survive for a period of six months after the Closing Date (the "**Survival Period**"). The party which has received a representation, warranty or certification, whether in this Agreement or in any Closing Document, shall give written notice to the other party of each breach of the representation, warranty or certification, together with details thereof, promptly after becoming aware of the breach and no later than 5:00 p.m. on the expiry date of the Survival Period.

ARTICLE 8 GENERAL

8.1 Gender and Number

- (1) Words importing the singular include the plural and vice versa. Words importing gender include all genders.

8.2 Headings

- (1) The headings contained herein are for reference only and in no way effect this Agreement or its interpretation.

8.3 Obligations as Covenants

- (1) Each agreement and obligation of any of the parties hereto in this Agreement, even though not expressed as a covenant, is considered for all purposes to be a covenant.

8.4 Applicable Law

- (1) This Agreement shall be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable thereto and shall be treated in all respects as an Ontario contract.

8.5 Currency

- (1) All reference to currency in this Agreement shall be deemed to be reference to Canadian dollars.

8.6 Invalidity

- (1) If any immaterial covenant, obligation, agreement or part thereof or the application thereof to any person or circumstance, to any extent, shall be invalid or unenforceable, the remainder of this Agreement or the application of such covenant, obligation or agreement or part thereof to any person, party or circumstance other than those to which it is held invalid or unenforceable shall not be affected thereby. Each covenant, obligation and agreement in this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.

8.7 Amendment of Agreement

- (1) No supplement, modification, waiver or termination (other than a termination pursuant to ARTICLE 5) of this Agreement shall be binding unless executed in writing by the parties hereto in the same manner as the execution of this Agreement.

8.8 Time of the Essence

- (1) Time shall be of the essence of this Agreement.

8.9 Further Assurances

- (1) Each of the parties hereto shall from time to time hereafter and upon any reasonable request of the other, execute and deliver, make or cause to be made all such further acts, deeds, assurances and things as may be required or necessary to more effectually implement and carry out the true intent and meaning of this Agreement.

8.10 Entire Agreement

- (1) This Agreement and any agreements, instruments and other documents herein contemplated to be entered into between, by or including the parties hereto constitute the entire agreement between the parties hereto pertaining to the agreement of purchase and sale provided for herein and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, with respect thereto, and there are no other warranties or representations and no other agreements between the parties hereto in connection with the agreement of purchase and sale provided for herein except as specifically set forth in this Agreement or the Schedules attached hereto.

8.11 Waiver

- (1) No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless otherwise expressed or provided.

8.12 Solicitors as Agents and Tender

- (1) Any notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated in this Agreement may be given or delivered and accepted or received by the Purchaser's Solicitors on behalf of the Purchaser and by the Vendor's Solicitors on behalf of the Vendor and any tender of Closing Documents and the Balance may be made upon the Vendor's Solicitors and the Purchaser's Solicitors, as the case may be.

8.13 Survival

- (1) Except as otherwise provided in this Agreement, no representations, warranties, covenants or agreements of either the Vendor or the Purchaser shall survive Closing. This provision survives Closing.

8.14 Successors and Assigns

- (1) All of the covenants and agreements in this Agreement shall be binding upon the parties hereto and their respective successors and assigns and shall enure to the benefit of and be enforceable by the parties hereto and their respective successors and their permitted assigns pursuant to the terms and conditions of this Agreement.

8.15 Assignment

- (1) The Purchaser shall have no right to assign its interest in this Agreement except to a Person who is an Affiliate of the Purchaser. In this event, the parties (the Vendor, the Purchaser and the assignee) shall complete an assignment/assumption agreement in a form acceptable to the Vendor, acting reasonably.

8.16 Notice

- (1) Any notice, demand, approval, consent, information, agreement, offer, request or other communication (hereinafter referred to as a “**Notice**”) to be given under or in connection with this Agreement shall be in writing and shall be given by personal delivery, facsimile transmission or email to the address set out below or to such other address or electronic number as may from time to time be the subject of a Notice:

- (a) Vendor:

J. J. Abram Consulting Inc.
295 Arvin Avenue
Stoney Creek, ON L8E 2M1

Attention: John Abrahamse & Stuart Taube
E-mail: john@surface-heat.com
Stuarhtaube@gmail.com

- (b) with a copy to the Vendor’s Solicitors:

Torkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, ON M5C 2W7

Attention: Stewart Thom
Facsimile: 416-863-0305
E-mail: sthom@torkinmanes.com

- (c) Purchaser:

Rampart Steel Treating Ltd.
1055 Pachino Court
Burlington, ON L7L 6B9

Attention: Marc Gauvin
Facsimile: 905-332-5492
E-mail: mgauvin@surfacetech.ca

- (d) with a copy to the Purchaser's Solicitors:

Frederikse Law
4391 Harvester Road, Unit 5A
Burlington, ON L7L 4X1

Attention: Barbara Frederikse
Facsimile: 289-816-0353
E-mail: barbara@frederlaw.ca

- (2) Any Notice, if personally delivered, shall be deemed to have been validly and effectively given and received on the date of such delivery and if sent by facsimile transmission or email with confirmation of transmission prior to 5:00 p.m., shall be deemed to have been validly and effectively given and received on the Business Day it was sent unless the confirmation of transmission was after 5:00 p.m. in which case it shall be deemed to have been received on the next following Business Day.

8.17 Subdivision Control

- (1) This Agreement and the Transaction reflected herein are subject to compliance with Section 50 of the *Planning Act* (Ontario).

8.18 No Registration of Agreement

- (1) The Purchaser covenants and agrees not to register this Agreement or any notice of this Agreement on title to the Property.

8.19 Commissions

- (1) The Purchaser shall be responsible for commissions payable to any real estate agents or brokers engaged by the Purchaser, and the Vendor shall be responsible for commissions payable to any real estate agents or brokers engaged by the Vendor.

8.20 Counterparts and Electronic Transmission

- (1) The parties agree that this Agreement may be executed in counterparts and transmitted by telecopier or email and that the reproduction of signatures in counterpart by way of telecopier or email will be treated as though such reproduction were executed originals.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Vendor and Purchaser have executed this Agreement.

J.J. ABRAM CONSULTING INC.

Per: _____

Name: John Abrahamse Stuart Tange

Title: Authorized Signing Officer

Per: _____

Name: _____

Title: _____

I have authority to bind the Corporation.

DANERICO INC.

Per: _____

Name: Marc Gauvin

Title: Authorized Signing Officer

I have authority to bind the Corporation.

IN WITNESS WHEREOF the Vendor and Purchaser have executed this Agreement.

J.J. ABRAM CONSULTING INC.

Per: _____

Name: John Abrahamse

Title: Authorized Signing Officer

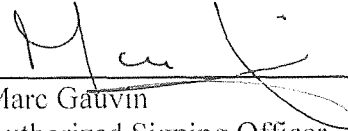
Per: _____

Name:

Title:

I have authority to bind the Corporation.

DANERICO INC.

Per:  _____

Name: Marc Gauvin

Title: Authorized Signing Officer

I have authority to bind the Corporation.

SCHEDULE "A"
LEGAL DESCRIPTION

All of PIN 17331-0019 (LT), legally described as:

PT LT 19, PL 1292, BEING THE E ½; STONEY CREEK CITY OF HAMILTON

SCHEDULE "B"
PERMITTED ENCUMBRANCES

General

1. The reservations, limitations, exceptions, provisos and conditions, if any, expressed in any original grants from the Crown including, without limitation, the reservation of any mines and minerals in the Crown or in any other person.
2. Subdivision agreements, site plan control agreements, servicing agreements, utility agreements, airport zoning regulations and other similar agreements with Government Authorities provided same are registered on title as of the Execution Date.
3. Cost sharing, servicing, reciprocal use or other similar agreements provided same are registered on title as of the Execution Date.
4. Encumbrances respecting minor encroachments by the Property over neighbouring lands and/or permitted under agreements with the owners of such other lands and minor encroachments over any portion of the Property by improvements of abutting land owners, provided same are registered on title as of the Execution Date, have been complied with to the Closing Date.
5. Title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the marketability of the Property.
6. Restrictive covenants, private deed restrictions and other land use control agreements provided same are registered on title as of the Execution Date, have been complied with to the Closing Date.
7. Any servitudes, easements or rights of way in favour of any Governmental Authority, any private or public utility, any railway company or any adjoining owner, provided same are registered on title as of the Execution Date, have been complied with to the Closing Date.
8. The applicable provisions of Section 44(1) of the *Land Titles Act* (Ontario).

Specific

9. Instrument No. WE1020743, being a Transfer in favour of the Vendor.

TAB C

1760184 ONTARIO LTD. (the “Company”)

SALE PROCESS TIMELINE

	Event	Timing
1.	Company shall obtain an order from the Ontario Superior Court of Justice (Commercial List) (the “ Court ”), <i>inter alia</i> , recognizing the Stalking Horse Bid and approving a marketing process for the Purchased Assets (the “ Sale Process ”).	By June 22, 2018
2.	Proposal Trustee shall contact parties that it determines may be interested and provide them with a summary of the Sale Process and the opportunity.	Within 2 business days of Court approval of the Sale Process
3.	Proposal Trustee shall post information pertaining to the Sale Process and the opportunity on the Proposal Trustee’s website, www.farbergroup.com , including: <ul style="list-style-type: none"> • an invitation to submit a Superior Bid for the Purchased Assets on or before the Bid Deadline; and • a confidentiality agreement. 	Initial information to be posted within 2 business days of Court approval of the Sale Process
4.	Proposal Trustee shall advertise the opportunity in the National Post (National Edition), in a form and manner that the Proposal Trustee considers appropriate.	Within 5 business days of Court approval of the Sale Process
5.	Proposal Trustee shall give interested parties access to additional data via a data room and provide them with an opportunity to conduct a site visit (subject to receipt by the Proposal Trustee of an executed confidentiality agreement).	June 20, 2018 to July 18, 2018 (4 weeks)
6.	Deadline for interested parties to submit a Superior Bid for the Purchased Assets to the Proposal Trustee.	5:00 p.m. (EST) on July 18, 2018 (the “ Bid Deadline ”)
7.	Proposal Trustee shall evaluate the Superior Bids received, if any, and notify each of the bidder(s) who submitted a Superior Bid and the Stalking Horse Bidder that one or more Superior Bid(s) was received and invite each of them to submit a Final Offer, if necessary.	5:00 p.m. (EST) on July 19, 2018 (the “ Final Offer Deadline ”)
8.	Proposal Trustee, exercising its reasonable business judgment, shall select the best of the Final Offers (the “ Winning Bid ”), if any, and, upon acceptance of the Winning Bid, there shall be a binding agreement of purchase and sale between the successful winning bidder (the “ Winning Bidder ”) and the Company.	
9.	Company shall make a motion to the Court for an order approving the agreement reached with the Winning Bidder and vesting the Purchased Assets in the Winning Bidder and proceed with closing such transaction forthwith, following which the Proposal Trustee shall return the Deposit to the	By August 3, 2018

	Purchaser forthwith (unless the Winning Bidder is the Purchaser).	
10.	If no Superior Bid is received by the Bid Deadline, the Company shall make a motion to the Court for an order vesting the Purchased Assets in the Purchaser and proceed with closing the transaction forthwith.	By August 3, 2018

32850207.2

TAB D

1760184 Ontario Inc. o/a Surface Heat Treat & Coatings
 Projected Cash Flow (CAD Funds)
 Prepared by Management

Updated June 18, 2018

	22-Jun-18	29-Jun-18	6-Jul-18	13-Jul-18	20-Jul-18	27-Jul-18	3-Aug-18	10-Aug-18	17-Aug-18	24-Aug-18	31-Aug-18	7-Sep-18	Total
Receipts													
AR collections	\$ 29,249	\$ 29,131	\$ 28,534	\$ 28,337	\$ 28,235	\$ 28,145	\$ 28,065	\$ 27,994	\$ 27,931	\$ 27,874	\$ 27,822	\$ 28,448	\$ 339,763
Other receipts													
Total Receipts	\$ 29,249	\$ 29,131	\$ 28,534	\$ 28,337	\$ 28,235	\$ 28,145	\$ 28,065	\$ 27,994	\$ 27,931	\$ 27,874	\$ 27,822	\$ 28,448	\$ 339,763
Disbursements													
Misc	1,250	1,250	14,500	2,500	1,250	1,250	14,500	1,250	1,250	1,250	1,250	1,250	42,750
Materials - production supplies	3,171	3,158	3,093	3,072	3,061	3,051	3,042	3,035	3,028	3,022	3,016	3,084	36,831
Other direct purchases	368	368	368	368	368	368	368	368	368	368	368	368	4,411
Freight and shipping	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Payroll	23,000		23,000	14,000	23,000	23,000	23,000		23,000		23,000		138,000
Employee source deductions									14,000				28,000
WSIB EHT Benefits					3,500				3,500				7,000
Utilities	22,000			22,000				22,000					66,000
Automobile leases				1,800					1,800				3,600
Travel - 407ETR													
Other indirect / overhead / admin	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Interest - Line of Credit			3,000				3,000					3,000	9,000
Subtotal - Disbursements	52,838	7,825	47,011	46,789	34,228	7,719	46,960	29,702	49,995	7,689	30,684	10,751	372,192
Net Cash Flow	(23,590)	21,306	(18,477)	(18,453)	(5,994)	20,426	(18,895)	(1,708)	(22,065)	20,184	(2,861)	17,697	(32,429)
Open Cash (operating loan)	(7,500)	(31,090)	(9,784)	(28,261)	(46,713)	(52,707)	(32,281)	(51,176)	(52,884)	(74,949)	(54,764)	(57,625)	(7,500)
Closing cash (operating loans)	(31,090)	(9,784)	(28,261)	(46,713)	(52,707)	(32,281)	(51,176)	(52,884)	(74,949)	(54,764)	(57,625)	(39,929)	(39,929)

This projection has been prepared by management of the Company.

TAB A

CONFIDENTIAL – APPENDIX “A”

(Subject to a request for a sealing order)

TAB B

CONFIDENTIAL – APPENDIX “B”

(Subject to a request for a sealing order)

IN THE MATTER OF THE PROPOSAL OF 1760184 ONTARIO LTD.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF HAMILTON, IN THE PROVINCE OF ONTARIO

Court File No. 32-2390056

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at Toronto

FIRST REPORT OF THE PROPOSAL TRUSTEE

AIRD & BERLIS LLP
Brookfield Place
181 Bay Street, Suite 1800
Toronto, Ontario M5J 2T9

Ian Aversa (LSUC # 55449N)
Tel: 416.865.3082 / Fax: 416.863.1515
Email: iaversa@airdberlis.com

Jeremy Nemers (LSUC # 66410Q)
Tel: 416.865.7724 / Fax: 416.863.1515
Email: jnemers@airdberlis.com

Lawyers for A. Farber & Partners Inc., in its capacity as the proposal trustee of 1760184 Ontario Inc.