

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF AN APPLICATION PURSUANT TO
SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED

BETWEEN:

CCM MASTER QUALIFIED FUND, LTD.

Applicant

- and -

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

APPLICATION RECORD

February 27, 2012

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50, 1 First Canadian Place
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Lawyers for the Applicant

TO: ATTACHED SERVICE LIST

**ONTARIO
SUPERIOR COURT OF JUSTICE
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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF AN APPLICATION PURSUANT TO
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BETWEEN:

CCM MASTER QUALIFIED FUND, LTD.

Applicant



– and –

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

NOTICE OF APPLICATION

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a judge presiding over the Commercial List on February 28, 2012 at 10:00 a.m., at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date February 27, 2012

Issued by


Local registrar

Giuseppe Di Pietro
Registrar

Address of court office 330 University Avenue
Toronto, ON M5G 1R7

TO: Blutip Power Technologies Ltd.
6705 Millcreek Drive, Suite 4
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Shannon Brander
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Proposed Receiver

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Lawyers for the Proposed Receiver

AND TO: Gowling, Lafleur Henderson LLP
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Lawyers for John O'Bireck

APPLICATION

1. The Applicant, CCM Master Qualified Fund, Ltd. ("**CCM**") makes application for an Order substantially in the form attached as Schedule "A" hereto:

- (a) abridging the time for service of this Notice of Application and dispensing with service on any person other than those served;
- (b) appointing Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as receiver (the "**Receiver**") of the Collateral (as defined below) owned by Blutip Power Technologies Ltd. ("**Blutip**") pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. C-43, as amended; and
- (c) such further and other relief as this Honourable Court deems just.

2. The grounds for the application are:

- (a) CCM is a corporation incorporated pursuant to the laws of the Cayman Islands;
- (b) Blutip is a technology company headquartered in Mississauga, Ontario;
- (c) Blutip is currently indebted to CCM in the amount of approximately \$3.4 million (the "**Indebtedness**") pursuant to a Convertible Senior Secured Promissory Note issued by Blutip to CCM dated October 21, 2011 and a Convertible Senior Secured Promissory Note issued by Blutip to CCM dated December 29, 2011 (collectively, the "**Notes**");
- (d) CCM holds comprehensive security over all of the property, assets and undertaking of Blutip (collectively, the "**Collateral**");
- (e) in or around February 2012, CCM became aware that Blutip was in default under the Notes, in that, among other things, (a) Blutip is unable to meet all of its obligations as they generally become due, including payroll obligations, (b) all of the directors and officers of Blutip (other than its Corporate Secretary) have resigned, and (c) trading in Blutip's securities has been suspended for failing to maintain exchange listing requirements and the TSX Venture Exchange has notified Blutip that Blutip

would be re-classified as a Tier-2 company should it fail to rectify such deficiency and/or Blutip's securities remain suspended after 10 business days;

- (f) On February 27, 2012, Osler, Hoskin & Harcourt LLP, on behalf of CCM, delivered to Blutip a demand for immediate repayment of the Indebtedness. The required notice of intention to enforce a security was also delivered pursuant to s. 244(1) of the BIA, together with a consent to early enforcement to be signed at Blutip's option;
- (g) It is imperative that a Receiver be appointed immediately given that Blutip is out of money and has no functioning leadership. Allowing Blutip to carry on as it is for a further 10 days will serve no purpose, and will in fact be extremely harmful.
- (h) A Receiver is required in this matter to, among other things:
 - (i) Stabilize Blutip's business operations in the absence of any directors or officers (other than its Corporate Secretary) and protect its value as a going-concern, thereby protecting CCM's interest in the Collateral;
 - (ii) Provide a mechanism under which Blutip's normal course operating costs can be funded;
 - (iii) If the Receiver considers it advisable, commence and carry out a marketing process for the sale of Blutip's business and assets as authorized by the Court; and
 - (iv) Otherwise protect the interests of CCM and Blutip by providing additional stability and certainty to the sale process;
- (i) Duff & Phelps has consented to act as Receiver of Blutip;
- (j) It is just and convenient to appoint the Receiver over the Collateral;
- (k) Sections 243(1) and 243(1.1) of the BIA;
- (l) *The Rules of Civil Procedure*;
- (m) such further and other grounds as counsel may advise and this Honourable Court may consider.

3. The following documentary evidence will be used at the hearing of the application:
- (a) The Affidavit of James Schuler, sworn February 27, 2012 and the exhibits thereto;
 - (b) The consent of Duff & Phelps to act as Receiver; and
 - (c) Such further and other material as counsel may advise and this Honourable Court permits.

February 27, 2012

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Lawyers for the Applicant

Applicant

Respondent

ONTARIO

**SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

NOTICE OF APPLICATION

OSLER, HOSKIN & HARCOURT LLP
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Lawyers for the Applicant

TAB A

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE ____)	TUESDAY, THE 28 th DAY
)	
JUSTICE _____)	OF FEBRUARY, 2012

CCM MASTER QUALIFIED FUND, LTD.

Applicant

- and -

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

APPOINTMENT ORDER

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") appointing Duff & Phelps Canada Restructuring Inc. as receiver (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Blutip Power Technologies Ltd. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of James Schuler sworn February [*27], 2012 and the Exhibits thereto (the "**Schuler Affidavit**"), and on hearing the submissions of counsel for the Applicant and the proposed Receiver, no other parties appearing although duly served as appears from the affidavit of service of [NAME] sworn [DATE] and on reading the consent of Duff & Phelps to act as the Receiver,

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SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA, Duff & Phelps is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

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- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
- (i) without the approval of this Court in respect of any transaction not exceeding \$25,000, provided that the aggregate consideration for all such transactions does not exceed \$150,000; and
 - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;
- and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply;
- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the

foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **THIS COURT ORDERS** that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. **THIS COURT ORDERS** that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

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RECEIVER TO HOLD FUNDS

12. **THIS COURT ORDERS** that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal

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information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. **THIS COURT ORDERS** that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

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RECEIVER'S ACCOUNTS

17. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, except for (i) any validly perfected purchase money security interests and (ii) any statutory encumbrance existing as at the date of this Order in favour of any Person which is a "secured creditor" as defined in the BIA in respect of any amounts that are subject to a super-priority claim under the BIA, and subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. **THIS COURT ORDERS** that, at the request of the Applicant, any other party in interest or the Court, the Receiver and its legal counsel shall pass their accounts, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. **THIS COURT ORDERS** that the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against their remuneration and disbursements.

FUNDING OF THE RECEIVERSHIP

20. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, including without limitation pursuant to the Term Sheet attached as Exhibit "L" to the Schuler Affidavit, provided that the outstanding principal amount does not exceed \$400,000 (or such greater amount as this Court may by further Order

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authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to validly perfected purchase money security interests, any statutory encumbrance existing as at the date of this Order in favour of any Person which is a "secured creditor" as defined in the BIA in respect of any amounts that are subject to a super-priority claim under the BIA, the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

22. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

23. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

24. **THIS COURT ORDERS** that the Receiver be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day

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following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

25. **THIS COURT ORDERS** that the Applicant, the Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Receiver may post a copy of any or all such materials on its website at:

[http://www.duffandphelps.com/services/investment_banking/Pages/Restructuring Cases.aspx](http://www.duffandphelps.com/services/investment_banking/Pages/Restructuring_Cases.aspx).

GENERAL

26. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

27. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

29. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

Draft

30. **THIS COURT ORDERS** that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

31. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

32. **THIS COURT ORDERS** that notwithstanding the immediately preceding paragraph, any motion to vary or amend the Receiver's Charge or the Receiver's Borrowings Charge must be brought and be returnable no later than March 20, 2012 and on not less than four (4) days' notice to the Receiver, the Applicant and any other party or parties likely to be affected by the order sought. The Receiver and any party which advances funds to the Receiver pursuant to paragraph 20 of this Order shall be entitled to rely on the priority granted to the Receiver's Charge and the Receiver's Borrowings Charge (as applicable) up to and including the day on which this Order is varied or modified.

Draft

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. **THIS IS TO CERTIFY** that Duff & Phelps Canada Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Blutip Power Technologies Ltd. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the ____ day of _____, 20__ (the "**Order**") made in an action having Court file number ____-CL-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Chicago, Illinois.

Draft

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

**DUFF & PHELPS CANADA
RESTRUCTURING INC., solely in its
capacity as Receiver of the Property, and not
in its personal capacity**

Per: _____

Name: _____

Title: _____

Draft

Applicant

Respondent

**ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)**

Proceeding commenced at Toronto

APPOINTMENT ORDER

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50, 1 First Canadian Place
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Lawyers for the Applicant

Draft

TAB 2

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF AN APPLICATION PURSUANT TO
SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, c. B-3, AS AMENDED

BETWEEN:

CCM MASTER QUALIFIED FUND, LTD.

Applicant

– and –

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

**AFFIDAVIT OF JAMES SCHULER
(sworn February 27, 2012)**

I, James Schuler, of the city of Naperville, in the State of Illinois, **MAKE OATH AND SAY:**

1. I am the Chief Financial Officer and a Principal of Coghill Capital Management, LLC ("**Coghill**"). Coghill is the investment manager of CCM Master Qualified Fund, Ltd. ("**CCM**"). I have been directly involved in managing the relationship between CCM and Blutip Power Technologies Ltd. ("**Blutip**"). As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have specifically referred to such sources and I believe them to be true.

2. I am swearing this affidavit in support of an application by CCM to appoint Duff & Phelps Canada Restructuring Inc. ("**Duff & Phelps**") as receiver (the "**Receiver**") over the

Collateral (as defined below) of Blutip pursuant to s. 243(1) of the *Bankruptcy and Insolvency Act* R.S.C., 1985, c. B-3, as amended (the “**BIA**”).

Overview

3. Coghill is a Chicago-based investment advisor specializing in small cap value equity management. Pursuant to an agreement between Coghill and the CCM, Coghill acts as the manager of CCM’s investments.

4. CCM is a corporation incorporated pursuant to the laws of the Cayman Islands. CCM’s primary objective is to seek capital appreciation over the long-term by holding both long and short positions in small cap companies.

5. Blutip is a publicly traded technology company based in Mississauga, Ontario that is focused on improving engine fuel economy and reducing fuel particulates through the use of certain proprietary, patented and patent-pending fuel optimization and emissions control systems. The company is still in its development phase and, in the absence of positive cash flow from operating activities, relies on external sources of funding.

6. To such end, CCM has supported Blutip over the course of more than 6 years through significant capital injections totalling approximately \$6.15 million. In particular, since January 2006 CCM has participated in all of Blutip’s equity offerings either as lead investor or on a pro-rata basis.

7. In addition, over the last few months CCM has provided emergency liquidity to Blutip on a secured basis. As described in greater detail below, Blutip is indebted to CCM in the amount of approximately \$3.4 million (together with fees, costs and other allowable charges which continue to accrue, the “**Indebtedness**”) pursuant to two convertible senior secured promissory notes dated October 21, 2011 and December 29, 2011 (collectively, the “**Notes**”). The Indebtedness is secured by a General Security Agreement issued by Blutip in favour of CCM dated as of October 21, 2011 pursuant to which CCM holds comprehensive security over all of the property, assets and undertaking of Blutip (the “**Collateral**”).

8. CCM is the senior secured creditor of Blutip, and to the best of my knowledge, by far its largest overall creditor. Events of Default have occurred under the Notes and such Events

of Default are continuing and remain uncured. The value of the Collateral securing the Indebtedness is at risk and Blutip is facing an immediate liquidity crisis and requires additional financing to meet its working capital needs. Among other things, (a) Blutip is unable to meet all of its obligations as they generally became due, including payroll obligations, (b) all of the directors and officers of Blutip (other than the VP & Corporate Secretary Shannon Brander (the "**Corporate Secretary**")) have resigned, and (c) trading in Blutip's securities has been suspended for failing to maintain exchange listing requirements, and the TSX Venture Exchange ("**TSXV**") notified Blutip by letter dated February 23, 2012 that the company would be reclassified as a Tier-2 company should the company fail to rectify such deficiency and/or the company's securities remain suspended after 10 business days. Such notice period expires March 12, 2012.

9. On February 27, 2012, Osler, Hoskin & Harcourt LLP ("**Osler**"), counsel for CCM, sent Blutip a letter demanding immediate repayment of the Indebtedness. On such date, Osler, on behalf of CCM, also sent Blutip a notice of intention to enforce security pursuant to s. 244 of the BIA and enclosed a consent to early enforcement to be signed at Blutip's option. CCM will advise the Court whether Blutip has executed the Consent at the hearing of this Application. In either case, I believe that a Receiver should be appointed without delay and, therefore, that the 10 day notice period contemplated by the BIA should be abridged.

10. CCM is bringing this application to have Duff & Phelps appointed as Receiver over the Collateral of Blutip in order to, among other things, stabilize the business. Blutip has no directors or officers (other than the Corporate Secretary) and no money with which to fund urgent payroll and other operational requirements including occupancy costs and research and development activities. A Receiver is urgently required to preserve the value of the business as a going-concern, thereby protecting CCM's interest in the Collateral and its ability to recover amounts owing in respect of the Indebtedness. Subject to the Receiver's views and the Court's discretion, it is anticipated that the Receiver will bring a motion before this Honourable Court in the next few weeks to approve a marketing and sales process for the business. Blutip requires the stability and certainty of a Court-supervised receivership during this time in light of the continuing defaults and Blutip's critical financial position and liquidity crisis. Further, CCM is not prepared to provide additional financing to Blutip other than in connection with a court-supervised receivership process.

Blutip's Business

11. Blutip is a control technology company that is focused on improving fuel economy and reducing opacity (particulates) through the use of certain proprietary, patented and patent-pending fuel optimization and emissions control systems.

12. Blutip was incorporated on March 29, 2004 under the *Business Corporations Act* (Alberta) and continued under the *Business Corporations Act* (Ontario) on May 30, 2011, at which time it changed its name from Hy-Drive Technologies Ltd. to Blutip Power Technologies Ltd.

13. The company is headquartered and operates from leased premises located at 6705 Millcreek Drive, Suite 4, Mississauga, Ontario, and until recently as described herein, was publicly traded on the TSXV under the ticker-symbol "BPR". At present, CCM owns approximately 19.2% of the issued and outstanding shares of the company. In addition, CCM holds conversion privileges under the Notes and exercise rights under 36,500,000 warrants. However, the Notes and the warrants provide that CCM may not exercise such conversion privileges or exercise rights to the extent it would result in CCM (alone or in combination with any other person), directly or indirectly, holding, beneficially owning or controlling or directing more than 19.9% of the issued and outstanding common shares of Blutip. If CCM did exercise all of its conversion privileges and exercise rights, CCM's ownership percentage in Blutip would increase to approximately 57%. Of course, there is no current prospect of that happening because of the blocker provision and because conversion or the exercise of warrants at \$0.10 and \$0.46 per share would not be economical.

14. Blutip has 16 employees, who are not unionized. Blutip does not maintain any pension plans.

15. At present, Blutip is still in a development phase with no significant sources of revenue. Pursuant to Blutip's most recently published consolidated unaudited financial statements for the three and nine months ended September 30, 2011, the company had a negative cash flow from operating activities of \$3,510,770 and a net and comprehensive loss of \$3,131,890 for the nine-months ended September 30, 2011. As at September 30, 2011, Blutip's balance sheet reflects a shareholders' deficit of \$64,906,158. As such, Blutip depends on external sources of funding to continue to operate as a going concern.

Indebtedness and Security

The Notes

16. Blutip issued a Convertible Senior Secured Promissory Note to CCM dated October 21, 2011 (the “**October Note**”) in the principal amount of \$2,600,000 (“**October Note Principal Amount**”). The proceeds of the October Note were to be used by Blutip to (i) repay the principal amount of accrued and unpaid interest on certain existing convertible secured notes in favour of third parties not related to CCM, (ii) repay the unsecured promissory notes issued by Blutip to CCM dated September 30, 2011 and October 14, 2011, (iii) pay interest on the October Note, (iv) pay the reasonable out-of-pocket expenses incurred by CCM in connection with the preparation, negotiation, execution, delivery and administration of the October Note and related documentation, (v) repay amounts advanced by CCM to Blutip prior to the date thereof, and (vi) for general working capital purposes in accordance with the sources and uses table appended thereto. Pursuant to section 3 of the October Note, the amounts set out in (i) to (v) above were deducted by CCM from the total loan proceeds advanced to Blutip on closing and paid by CCM, for and on behalf of Blutip, to the applicable payees. A copy of the October Note is appended as Exhibit “A” to this Affidavit.

17. CCM provided additional financing to Blutip in December 2011 as evidenced by a Convertible Senior Secured Promissory Note issued by Blutip to CCM on December 29, 2011 (the “**December Note**”) in the principal amount of \$800,000 (the “**December Note Principal Amount**”). The proceeds of the December Note were to be used to (i) pay interest on the December Note due on the closing date, (ii) pay the reasonable out-of-pocket expenses incurred by CCM in connection with the preparation, negotiation, execution, delivery and administration of the December Note and related documentation, (iii) pay to CCM a commitment fee of \$45,000, and (iv) for general working capital purposes. Pursuant to section 3 of the December Note, the amounts set out in (i) to (iii) above were deducted by CCM from the total loan proceeds advanced to Blutip on closing and retained by CCM in satisfaction of such debts. A copy of the December Note is appended as Exhibit “B” to this Affidavit.

18. According to Blutip’s press releases dated October 31, 2011 and December 29, 2011, due to CCM’s shareholdings in Blutip, each of the Note offerings constituted a “related party transaction” pursuant to Multilateral Instrument 61-101 (“**MI 61-101**”) published by the

Ontario Securities Commission. Each of the Notes was issued in reliance on a financial hardship exemption from the minority approval requirement of MI 61-101 for related transactions as, among other things, Blutip was in serious financial difficulty. Copies of the October 31 and December 29 press releases are appended as Exhibit "C" to this Affidavit.

Payment Terms

(a) October Note

19. Pursuant to the October Note, Blutip promised to pay to the order of CCM, or its permitted assigns, the October Note Principal Amount, together with any accrued interest thereon on the earlier to occur of the following dates (the "**October Note Maturity Date**"): (i) the two year anniversary of the Effective Date (being the first business day following the date of receipt of the required regulatory approvals in connection with the issuance of the October Note), or (ii) when declared due and payable by CCM upon the occurrence of an Event of Default (as defined in the October Note) or otherwise deemed to be due and payable upon the occurrence of certain Events of Default.

20. The October Note bears interest at 15% per annum, calculated from the Effective Date to the latest October Note Maturity Date. During the occurrence and continuation of an Event of Default, the October Note bears additional default interest at the rate of 2% per annum, calculated daily and payable monthly in arrears on the last business day of each month. In accordance with the terms of the October Note, non-default interest was paid in advance on closing by deducting such interest (totalling \$780,000) from the total loan proceeds advanced by CCM to Blutip on closing as described above.

21. Pursuant to section 11 of the October Note, Blutip is prohibited from prepaying all or part of the October Note Principal prior to the October Note Maturity Date.

(b) December Note

22. The terms and conditions of the December Note are substantially similar to the terms and conditions of the October Note. Pursuant to the December Note, Blutip promised to pay to the order of CCM, or its permitted assigns, the December Note Principal Amount, together with any accrued interest thereon on the earlier to occur of the following dates (the "**December Note Maturity Date**"): (i) October 31, 2013 and (ii) when declared due and payable

by CCM upon the occurrence of an Event of Default (as defined in the December Note) or otherwise deemed to be due and payable upon the occurrence of certain Events of Default.

23. The December Note bears interest at 15% per annum, calculated from December 29, 2011 to the latest December Note Maturity Date. During the occurrence and continuation of an Event of Default, the December Note bears additional default interest at the rate of 2% per annum, calculated daily and payable monthly in arrears on the last business day of each month. In accordance with the terms of the December Note, non-default interest was paid in advance on closing by deducting such interest (totalling \$220,932) from the total loan proceeds advanced by CCM to Blutip on closing as described above.

24. Pursuant to section 11 of the December Note, Blutip is prohibited from prepaying all or part of the December Note Principal prior to the December Note Maturity Date.

Events of Default

25. Section 9 of each the Notes sets out a number Events of Default, including:

- (a) if a material adverse change occurs in the business, property, assets, prospects, operations or condition, financial or otherwise, of Blutip;
- (b) if Blutip becomes insolvent or generally unable to pay its debts as they become due or admits in writing its inability to pay its debts generally; and
- (c) if the shares of Blutip cease to be listed on the TSXV, or the shares of Blutip are suspended from trading for a period in excess of 10 trading days.

26. Pursuant to section 10 of each of the Notes, upon the occurrence and during the continuance of an Event of Default: (i) CCM may require Blutip to immediately pay to CCM all amounts owing to CCM under the Notes (provided that all such amounts automatically become due and payable upon an insolvency Event of Default) and (ii) CCM may exercise any and all rights and remedies available to CCM pursuant to the Security or at law or in equity.

Security

27. Pursuant to a General Security Agreement granted by Blutip in favour of CCM dated as of October 21, 2011 (the “**Security**”), Blutip granted to CCM a first ranking security

interest in the Collateral, including accounts, chattel paper, documents, documents of title, contractual rights and insurance claims, intellectual property, leases and proceeds of the foregoing. Section 12(b) of the Security provides upon an Event of Default, which is continuing, CCM may make an application to the Court for the appointment of a receiver. A copy of the General Security Agreement is appended as Exhibit "D" to this Affidavit.

28. The Collateral secures all present and future obligations, indebtedness and liability of Blutip to CCM under the Notes and the Security. The security interest under the Security is registered under the *Personal Property Security Act* (Ontario) ("PPSA") under PPSA file reference number 673851519. A copy of the PPSA Searches dated February 12, 2012 against Blutip and its predecessor Hy-Drive Technologies Ltd. (the "PPSA Searches") is appended as Exhibit "E" to this Affidavit.

29. The PPSA Searches reveal that there are no other PPSA security registrations against Blutip other than an all-asset security registration in favour of CCM and a registration over "accounts" and "other" in favour of Royal Bank of Canada ("RBC"). I understand from the Corporate Secretary that RBC's registration relates to a letter of credit that has subsequently expired. I am also advised by the Corporate Secretary that the proceeds of such letter of credit (\$25,000) were used to partially fund Blutip's payroll obligations due February 17, 2012, which totalled approximately \$55,000.

30. As set out below, Blutip has a number of trade creditors. To the best of my knowledge, none of those trade creditors are secured. As of February 21, 2012, the trade accounts payable totalled approximately \$287,000.

Defaults Occur under the Notes

31. As set out above, the Notes contain a number of Events of Default. Pursuant to the Notes, upon the occurrence of an Event of Default, CCM may, in addition to any other remedies under the Security or at law or equity, declare the Indebtedness to be immediately due and payable.

32. A number of events transpired over the course of February 2012 that have triggered Events of Default under the Notes and have raised CCM's concerns that the value of the Collateral securing the Indebtedness may be at risk.

33. The cash position report (the “**February 2 Cash Position**”) delivered by the Corporate Secretary to CCM on February 2, 2012 demonstrated that Blutip’s cash position has significantly deteriorated and that Blutip required approximately \$400,000 in additional funding for the month of February to meet its obligations as they become due, including critical supplier payments, payroll and benefits obligations, employer health tax and workers’ compensation premiums and annual TSXV filing fees.

34. In connection therewith, board member Peter Williams notified CCM on February 5, 2012 that Blutip was in a financially fragile state and that the board members had resigned or would be resigning. On February 2, 2012, Blutip announced that Dean Dussias had resigned as Director, Interim CEO, CFO and COO of Blutip effective immediately. On February 6, 2012, the Investment Industry Regulatory Organization of Canada announced trading in Blutip’s securities had been suspended and Blutip announced that Peter Williams and Richard Marceau, Blutip’s sole remaining directors, had tendered their resignations effective that day. Copies of the February 2 and February 6 press releases are appended as Exhibits “F” and “G”, respectively, to this Affidavit.

35. On February 9, 2012, Blutip also announced that the TSXV had put it on notice for failing to maintain exchange listing requirements, trading would remain halted and its listing would be suspended on February 21, 2012. A copy of the February 9 press release is appended as Exhibit “H” to this Affidavit.

Subsequent Negotiations and The February 17 Order

36. As a result of the foregoing Events of Default, CCM has been in a position to make demand under the Notes and accelerate the Indebtedness for some time.

37. On or about February 10, 2012, a group of investors approached CCM seeking CCM’s participation in connection with a potential \$6 million private placement equity offering (the “**Proposed Offering**”). CCM was advised that the investors had retained Gowling Lafleur Henderson LLP as counsel in connection with the Proposed Offering. CCM was also advised that the investors would be bringing an application before the Court on February 17, 2012 to appoint an interim board of directors on an urgent basis. CCM was advised that the relief sought was necessary because Blutip was without a board of directors to approve the Proposed Offering

and that Blutip's exchange listing was going to be suspended by the TSXV on February 21, 2012.

38. Over the course of the next few days, CCM went to great lengths to co-operate with the potential investors in order to give Blutip a chance to achieve an out-of-court solution to its dire financial predicament. I had extensive discussions with the potential investors as to the basis on which they believed Blutip could succeed as a public company (including through the appointment of a new CEO and a qualified board and the provision of sufficient working capital funding). While these discussions were ongoing, CCM did not enforce its rights and remedies in respect of the Events of Default. CCM also consented to the appointment of the interim board.

39. Pursuant to an Order of the Honourable Justice Newbould dated February 17, 2012 (the "**February 17 Order**"), the Court appointed Peter William, David Champion and Bob Lipic as the interim board of the company. A copy of the February 17 Order is appended as Exhibit "I" to this Affidavit.

The Interim Board Resigns and Funding Concerns Continue

40. Blutip was advised by the Corporate Secretary on February 21 that Bob Lipic declined his board seat. On February 22, 2012, the remaining two interim directors of Blutip resigned. The transaction contemplated by the Proposed Offering was not completed.

41. As a result, Blutip has no directors or officers other than the Corporate Secretary and its liquidity crisis continues.

42. The updated cash report provided by the Corporate Secretary to CCM on February 21, 2012 (the "**February 21 Cash Position**") demonstrates that Blutip's cash position has continued to erode and that it remains unable to meet its liabilities as they become due. As set out below, the February 21 Cash Position reflects that Blutip required approximately \$460,000 as at February 21, 2012 to fund its accounts payable and accrued liabilities.

	Feb 21/2012
Bank-CDN	\$28,470.14
Bank-USD	\$705.69
Cashable GIC	\$ -
Total Cash	\$29,175.83
A/P CDN	\$243,220.12
A/P USD	\$44,241.28
Purchase Clearing	\$1,711.92
Accrued Liability	\$210,658.18
Rent	\$ -
Salaries & Wages	\$ -
EHT Payable(Payroll)	\$1,011.56
Tax Payable (Payroll)	\$20,602.31
HST Receivable	\$(28,407.00)
Accounts Receivable	\$ -
Total A/P & Receivable	\$493,038.37
Cash Balance (Deficit)	<u>\$(463,862.54)</u>

Delivery of Demand Notice, Notice of Intention to Enforce a Security and Consent to Early Enforcement

43. CCM has had supported Blutip over the course of more than 6 years through significant capital injections and debt financing totalling approximately \$9.55 million. In particular, since January 2006 CCM has participated in all of Blutip's equity offerings either as lead investor or on a pro-rata basis. Despite CCM's substantial investment in and ongoing support of Blutip, Blutip has continued to experience financial difficulties. In light of the failure of the Proposed Offering and the resignation of the interim board, CCM has determined that it would be in the best interests of all of Blutip's stakeholders to immediately commence receivership proceedings and preserve the value of Blutip's business and assets as a going concern.

44. Accordingly, by letter dated February 27, 2012 (the "**Demand Notice**"), Osler, on behalf of CCM, delivered a notice of default under the Notes to Blutip. Pursuant to the Demand Notice, Osler notified Blutip that one or more Events of Default had occurred including, without limitation:

- (a) Blutip had become generally unable to pay its debts as they become due, as evidenced by, among other things the February 21 Cash Position, constituting an Event of Default under Section 9(h)(i) of the Notes;

- (b) the resignation of all of the members of the board and subsequent resignation of all of the members of the interim board constituted a material adverse change in the business, property, prospects, operation or condition of Blutip, and accordingly, an Event of Default under Section 9(f) of the Notes; and
- (c) the TSXV notice of failure to maintain listing requirements, suspension of trading and proposed Tier 2 reclassification also constituted a material adverse change in the business, property, prospects, operation or condition of Blutip, and accordingly, an Event of Default under Section 9(f) of the Notes.

45. The Demand Notice further advised that, on behalf of CCM, Osler demanded payment of the existing Indebtedness, together with any additional fees, costs and other allowable charges accrued or accruing to the date thereof. A copy of the Demand Notice is appended as Exhibit "J" to this Affidavit.

46. Concurrent with the delivery of the Demand Notice, Osler, on behalf of CCM, delivered a notice of intention to enforce security pursuant to s. 244 of the BIA (the "**Section 244 Notice**") and a consent to early enforcement of the Security to be executed at the option of Blutip (the "**Consent**"). CCM will advise the Court whether Blutip has executed the Consent at the hearing of this Application. In either case, I believe that a Receiver should be appointed without delay and, therefore, that the 10 day notice period contemplated by the BIA should be abridged. As set out herein, Blutip is out of money and has no functioning leadership. In my view, given Blutip's current condition and its lack of executive leadership, allowing Blutip to carry on as it is for a further 10 days will serve no purpose, and will in fact be extremely harmful. I also believe that there is a material risk that Blutip will not be able to fund its payroll obligations due February 29, 2012 absent the appointment of a Receiver. I therefore believe that it is imperative that a Receiver be appointed immediately. A copy of the Section 244 Notice is appended as Exhibits "K" to this Affidavit.

Proposed Appointment of a Receiver

47. The February 21 Cash Position demonstrates that Blutip does not have the requisite financial resources to meet its obligations as they become due, including the March 2, 2012 payroll of approximately \$55,000, without immediate funding. Under Blutip's agreement

with its payroll service provider, the payroll has to be funded by February 29, 2012. Absent receipt of additional funding or accounts receivable collections (the timing and quantum of which are unknown), Blutip has no other sources of funding. CCM is only prepared to fund Blutip's operations (including the February 29th payroll) on a priority basis in the context of a receivership proceeding. In this regard, the proposed receivership order contemplates that any advances made by CCM to the Receiver would be afforded a priority under the Receiver's Borrowing Charge (as defined in the draft Receivership Order). CCM has entered into a Term Sheet with the proposed Receiver to govern the terms and conditions of any such advances, a copy of which is appended as Exhibit "L" to this Affidavit.

48. The Receiver's Borrowing Charge in the amount of \$400,000 is CCM's estimate of operating costs (including payroll) for a 30 to 45 day period based on the historical financial information provided by Blutip to CCM from time to time, plus an estimate for the fees and disbursements of the Receiver and its counsel for such period.

49. All of the directors and officers (other than the Corporate Secretary) of Blutip have resigned. Swift action is required to stabilize the business and provide Blutip's employees with comfort as to Blutip's ability to meet its employee obligations so as to retain necessary staff and preserve Blutip's operations as a going concern.

50. It is proposed that Duff & Phelps be appointed as Receiver over the Collateral. Duff & Phelps is a reputable corporate restructuring, financial advisory and consulting firm with extensive experience in restructuring transactions in Canada. I believe that the appointment of Duff & Phelps as Receiver will further the objectives of ensuring the fair and equitable treatment for Blutip's stakeholders. Duff & Phelps has consented to act as Receiver if appointed by this Honourable Court.

Proposed Sale Process

51. Subject to the granting of the requested relief by this Honourable Court, it is anticipated that Duff & Phelps would return to this Honourable Court within the next few weeks for approval of a marketing and sales process for Blutip's business and assets. It is anticipated that such marketing and sale process would include:

- 14 -

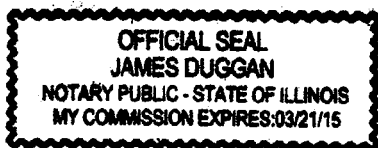
- (a) identification of prospective purchasers and preparation of a confidential information memorandum;
- (b) advertisement of the sale of Blutip's business and assets in a national newspaper;
- (c) facilitation of due diligence, including maintaining an online data room, facility tours and key employee interviews by prospective purchasers; and
- (d) preparation and negotiation of one or more agreements of purchase and sale.

52. In the circumstances, I believe the immediate appointment of a Receiver is necessary to properly and effectively take possession of, preserve, protect and allow for the orderly sale of Blutip's business and assets. As noted above, CCM is prepared to fund Blutip's operations on a priority basis and, accordingly, the proposed receivership proceeding also provides a mechanism in which Blutip's normal course operating costs can be funded, absent which it does not appear that such funding is available to Blutip.

SWORN BEFORE ME at the City of
Chicago, in the State of Illinois on
February 27, 2012.


Notary Public


James Schuler



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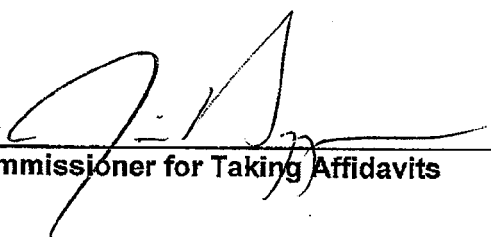
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TAB A

THIS IS EXHIBIT "A" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY FOLLOWING THE EFFECTIVE DATE.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THIS NOTE AND THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY FOLLOWING THE EFFECTIVE DATE.

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS NOR QUALIFIED FOR SALE IN ANY PROVINCE OR TERRITORY OF CANADA UNDER APPLICABLE SECURITIES LAWS ("CANADIAN LAWS"). THESE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, AND/OR CANADIAN LAWS, AS THE CASE MAY BE, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. HOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND/OR CANADIAN LAWS, AS THE CASE MAY BE.

BLUTIP POWER TECHNOLOGIES LTD.

Convertible Senior Secured Promissory Note

Lender: CCM Master Qualified Fund, Ltd. (the "Lender")

Date of Issue: October 21, 2011

Cdn\$2,600,000 (as such amount may be increased pursuant to Section 4 hereof, the "Principal Amount")

BLUTIP POWER TECHNOLOGIES LTD. (the "Corporation"), a corporation incorporated and existing under the laws of the province of Ontario, Canada, the registered office of which is located at 6705 Millcreek Drive, Suite 4, Mississauga, Ontario, Canada L5N 5M4, for value received hereby promises, as of and from the Effective Date, to pay to the order of the Lender identified herein, or its permitted assigns, the Principal Amount identified above, together with any unpaid accrued interest hereon, as set forth below. Subject to Section 7 below relating to conversion of this Note, the Principal Amount shall be due and payable on the earlier to occur (such earlier date being the "Maturity Date" hereunder) of (i) the two year anniversary of the Effective Date, or (ii) when declared due and payable by the Lender upon the occurrence and continuance of an Event of Default (as defined below) or otherwise deemed to be due and payable upon the occurrence of certain Events of Default.

Payment of all amounts due hereunder shall be made by wire transfer of immediately available funds to an account as notified in writing from time to time by the Lender to the Corporation.

The following is a statement of the rights of the Lender and the conditions to which this Note is subject, and to which the Lender, by the acceptance of this Note, agrees:

1. **Definitions.** The following terms shall have the following meanings:

"Approved Annual Plan" means an annual business plan, including a capital budget, approved by the Lender.

"Chart of Approvals" means the required approvals in respect of the execution and instructions for banking transactions of the Corporation.

"Change of Control" means, in respect of the Corporation, any person or group of persons acting jointly or in concert including their affiliates (other than the Lender) acquires more than 50% (on a fully diluted basis) of the economic or voting interests in the capital of the Corporation or acquires the right to directly designate or nominate a majority of the board of directors of the Corporation.

"Common Shares" means common shares of the Corporation.

"Default" means any event which is an Event of Default or with the passage of time would reasonably be expected to result in an Event of Default.

"Effective Date" means the first business day following the date of receipt of the required regulatory approvals in connection with the issuance of this Note.

"Existing Convertible Secured Notes" means, collectively, the following notes (i) a convertible senior secured promissory note dated June 30, 2011 by the Corporation in favour of John S. Chambers in the principal amount of \$250,000; (ii) a convertible senior secured promissory note dated June 30, 2011 by the Corporation in favour of Steven Collicutt in the principal amount of \$250,000; (iii) a convertible senior secured promissory note dated June 30, 2011 by the Corporation in favour of Kevin Bennett in the principal amount of \$250,000; and (iv) a convertible senior secured promissory note dated June 30, 2011 by the Corporation in favour of Black Swan Capital Advisors Inc. in the principal amount of \$250,000.

"Warrants" means the warrants of the Corporation issued to the Lender in connection with this Note.

2. **Interest.** The Note shall bear interest at a rate (the **"Interest Rate"**) of fifteen percent (15%) per annum, calculated from the Effective Date to the latest Maturity Date, and payable in advance on the date of hereof. During the continuation of an Event of Default the Interest Rate shall be increased by 2% per annum, such increase to be calculated daily and payable monthly in arrears on the last business day of each month.

3. **Use of Proceeds.** The proceeds of the Note shall be used to (i) repay the principal amount and accrued and unpaid interest on the Existing Convertible Secured Notes; (ii) repay the

unsecured promissory notes issued by the Corporation to the Lender dated September 30, 2011 and October 14, 2011 (the "**Existing Unsecured Notes**"); (iii) pay interest on the Note due on the date hereof; (iv) pay the Expenses (as such term is defined in Section 19 hereof); (v) repay amounts advanced by the Lender to the Corporation prior to the date hereof; and (v) for general working capital purposes, all in accordance with the sources and uses table attached hereto as Appendix 1. The foregoing amounts shall be deducted by the Lender from the proceeds of this Note otherwise to be made available to the Corporation.

4. **Increase of Principal Amount of Note.** At any time prior to the date that is 60 days after the Effective Date, the Lender may advance, at its sole discretion, an additional amount of up to \$1,000,000 and increase the original principal amount of the Note by such additional amount on notice in writing by the Lender to the Corporation. At the option of the Lender, any such increase may be effected by the increase of the Principal Amount or by the issuance of additional notes (on substantially the same terms as this Note, except that the conversion price in section 14(a) of the new note shall be the greater of \$0.10 and any conversion price required by the TSX Venture Exchange) to the Lender or such other persons identified by the Lender. Interest in respect of any such increased principal amount or additional notes shall be payable to and at the rate specified in Section 2 in advance on the effective date of such increase or issuance of additional notes. The Corporation shall execute such further and other documents as deemed necessary by the Lender, acting reasonably, to give effect thereto, including, without limitation, at the request of the Lender the issuance of one or more additional notes substantially similar hereto to such persons as the Lender may designate in respect of any such increase.

5. **Ranking/Security.** The obligations of the Corporation under the Note shall rank senior to all current and future obligations of the Corporation and shall be secured by a perfected first priority security interest in all of the existing and after acquired personal property of the Corporation pursuant to a general security agreement (the "**GSA**") executed by the Corporation in favour of the Lender on the date hereof, but shall be subject to the permitted encumbrances described in Schedule B of the GSA.

6. **Representations and Warranties.** The Corporation represents, warrants and covenants to and with the Lender as follows:

(i) the Corporation is a reporting issuer in the province(s) of Ontario, Alberta, and British Columbia, and is in compliance with all material obligations under applicable securities legislation in such jurisdiction(s);

(ii) the Corporation is a valid and subsisting corporation duly incorporated, and in good standing under the laws of the Province of Ontario with all the requisite corporate power and capacity to carry on its business as now conducted and as presently proposed to be conducted by it and to own its assets;

(iii) the Corporation is conducting its business in material compliance with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on and is duly licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such

licences, registrations and qualifications are valid, subsisting and in good standing, except in respect of matters which do not and will not result in any adverse material change and except for the failure to be so qualified or the absence of any such license, registration or qualification which does not and will not have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Corporation;

(iv) the Corporation has all of the required corporate power and authority to (a) create, issue and sell the Note, and to issue the Common Shares upon conversion of the Note and the Common Shares issuable upon the exercise of the Warrants, as applicable, and (b) enter into the Note and to carry out the provisions of this agreement;

(v) this Note has been duly authorized, executed and delivered by, and constitutes a legal valid and binding agreement of, the Corporation enforceable against the Corporation in accordance with its terms, except as the enforceability thereof may be limited by (a) bankruptcy, insolvency, moratorium or similar laws affecting creditor's rights generally, (b) general equitable principles, (c) limitations under applicable law in respect of rights of indemnity, contribution and waiver of contribution, and (d) the lack of approval from the TSX Venture Exchange to this Note and the transactions contemplated hereby;

(vi) the execution of this agreement and the issue and sale of the Note by the Corporation does not and will not conflict with, and does not and will not result in a breach of, any of the terms of its constating documents or any agreement or instrument to which the Corporation or its assets is a party or otherwise bound;

(vii) the Corporation, has complied and will comply fully with the requirements of all applicable corporate and securities laws and regulations in all matters relating to the issuance of this Note, the Warrants and the securities into which the Note and Warrants are convertible or exercisable, as the case may be;

(viii) no approval, authorization, consent or other order of, and no filing, registration or recording with, any governmental authority is required by the Corporation in connection with the execution and delivery or with the performance by the Corporation of the Note, other than the approval of the TSX Venture Exchange;

(ix) after giving effect to the repayment of the Existing Convertible Secured Notes and the Existing Unsecured Notes, as at the date of hereof the Corporation does not have any other outstanding indebtedness other than hereunder and other than (a) the indebtedness secured by the security interests referred to in Schedule B of the GSA, and (b) the obligation to pay up to \$90,000 in connection with the "Transfield" litigation claim disclosed to the Lender or its counsel;

(x) the only subsidiaries of the Corporation are 2121995 Ontario Inc. and 2121996 Ontario Inc., and each such subsidiary is inactive.

7. **Positive Covenants.** The Corporation hereby covenants with the Lender as follows:

(i) **Punctual Payment** - It shall duly and punctually pay the obligations hereunder at the times and places and in the manner required hereby.

(ii) **Existence** - It shall: (a) maintain its corporate existence in good standing under the laws of its jurisdiction of incorporation or formation, (b) continue to conduct its business substantially as now conducted and shall conduct its business and owns its exclusively through the Corporation (and for greater certainty not through any of its subsidiaries), and (c) do, or cause to be done, all things necessary to keep in full force and effect all permits and all properties, rights, franchises, licenses and qualifications to carry on its business in all jurisdictions where its business is currently being carried on.

(iii) **Conduct of Business** - It shall keep all of its assets used or useful in the conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and from time to time shall make, or cause to be made, all commercially reasonable repairs, renewals and replacements, betterments and improvements to such assets in the conduct of its business as may be properly advantageous to its Business at all times.

(iv) **Taxes** - It shall file or cause to be filed, when due, all federal, provincial and local returns, filings, elections and reports which are required to be filed by it in respect of all taxes, and shall pay or cause to be paid all such taxes as are required by applicable law and in accordance with any assessment or demand for payment received by it as and when such taxes become due and payable and provide evidence of payment if so requested by the Lender.

(v) **Notice of Advance Events** - It shall promptly notify the Lender of (a) any Default or Event of Default of which it becomes aware, (b) any change or circumstance of which it becomes aware or ought to have become aware, using reasonable diligence, which could have a Material Adverse Effect, (c) it becoming aware of the occurrence or threat of any litigation, action, suit or other proceeding in excess of \$50,000 which is commenced or, arbitration, proceeding or other circumstance, and from time to time provide the Lender with all reasonable information requested by the Lender concerning the status of such litigation, and (d) any action taken by any creditor (other than the Lender) to recover amounts outstanding respecting any of its indebtedness or other obligations (other than in the ordinary course of business).

(vi) **Accounting Policies and Practices** - It shall ensure that all of its accounting policies, practices and calculation methods shall be in accordance with Canadian GAAP and with IFRS, as applicable, at all times, it shall keep and maintain books and records reflecting all financial transactions with true and correct entries in accordance with Canadian GAAP and with IFRS, as applicable, and on a consistent basis.

(vii) **Access and Provision of Information** - It shall promptly provide the Lender with all information reasonably requested by the Lender from time to time concerning its financial condition and property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its property, and to examine and take extracts from its financial books and records, including

accounts and records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors. It shall provide the Lender with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Note, the GSA and the other documents related thereto, and such other information as the Lender may request from time to time.

(viii) **Intellectual Property Rights** - It shall (a) maintain all necessary registrations and applications for registration for any intellectual property right which is material for its business, in good standing, including paying all fees and making all such filings as may be required from time to time, (b) notify the Lender if it knows, or has reason to know, of any application or registration relating to any patent or trade mark material to its business that may expire, become abandoned or dedicated to the public domain, or of any material adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the Canadian patent and trade mark offices or any court or tribunal in any country) regarding its ownership of any material intellectual property right or its right to register the same or to keep and maintain the same, and (c) report to the Lender any application for the registration of any trade-mark material to its business with the trade mark office in each jurisdiction in which it carries on business and any application for any patent material to its business with the patent office in each such jurisdiction, in each case within thirty (30) days after the last day of the fiscal quarter in which such application occurs (whether any such application is made by itself or through any agent, employee, licensee or designee).

(ix) **Compliance with Laws** - It shall comply with all applicable law in the conduct of its business including those relating to licencing, employment and labour matters, and environmental laws, and obtain all required permits and maintain them and material contracts in good standing.

(x) **Addition Co-Signors** - It shall add and maintain a representative of the Lender as a co-signor on all bank accounts and instruct, in a form acceptable to the Lender, each of its banks that upon notice to such bank by the Lender that an Event of Default has occurred and is continuing (as determined by the Lender) that all banking transactions from and after the receipt by the bank of such notice shall require the joint approval of a representative of both the Corporation and the Lender.

(xi) **Chart of Approvals** - It shall follow its Chart of Approvals.

8. **Negative Covenants/Reporting Covenant.** The Corporation hereby covenants with the Lender as follows:

(i) **Additional Capital** - It shall not issue any additional equity interests unless (i) such additional equity interests are Common Shares; (ii) such additional Common Shares are issued at a price of not less than \$0.10 per share (adjusted in a manner similar to that in respect of Warrants); and (iii) the Lender shall have been provided with a pre-emptive right to participate in any such issuance on a pro rata basis (determined on a fully diluted

basis based on the shareholdings of the Lender and after giving effect to a conversion of this Note (but subject to the provisions of Section 14(g)).

(ii) **Additional Debt** - It shall not issue any additional debt securities or incur any additional indebtedness or other obligations, other than trade payables or equipment leases incurred in the ordinary course of business or as set out in the Approved Annual Plan.

(iii) **Reporting** - It shall provide the Lender with copies of any financial reports or other materials filed pursuant applicable securities laws concurrently with the filing thereof. In addition, it shall provide the Lender with the following management prepared monthly financial materials within 5 days of the end of each calendar month (a) statement of cash activity and cash balance, (b) income statement, (c) balance sheet, (d) statement of cash flows, (e) details of all new sales and pipeline of sales activities, (f) detailed ledger of accounts receivable and payable, (g) management discussion of development activity and hardware build summary, and (h) such other matters as identified by the Lender, acting reasonably;

(iv) **Additional Investments** - It shall not make any additional investments, acquisitions, loans, dividends, distributions, share buy-back, extraordinary payments or enter into any agreement to make any of the foregoing, other than as specified in an Approved Annual Plan.

(v) **Fundamental Changes** - It will not enter into any transaction (or series of transactions) by way of reconstruction, arrangement, reorganization, consolidation, amalgamation, wind-up, liquidation, dissolution, merger or otherwise, other than in the ordinary course of business.

(vi) **Transactions** - It will not enter into any transaction outside the ordinary course of business.

(vii) **Significant Agreements** - It will not enter into legal agreements, obligations or other contractual arrangements (or any series of such transactions) that create a current or future liability for the Corporation in excess of \$150,000 unless otherwise specified in an Approved Annual Plan.

(viii) **Related Party Transactions** - It shall not enter into any transaction with any party not at arms' length (as such term is defined in the *Income Tax Act* (Canada)) with the Corporation (other than the Lender and its affiliates).

(ix) **Sale Leasebacks** - It shall not enter into any sale lease-back transaction or any other off-balance sheet arrangements.

(x) **Other Changes** - It shall not make any changes to its articles or by-laws or other constating documents.

9. **Events of Default.** An "Event of Default" shall exist if any of the following events or conditions shall occur and be continuing:

- (a) the occurrence of an event of default under the GSA;
- (b) if the Corporation fails to pay any amount due from it under the Note in the manner and on the due date stipulated herein;
- (c) if the Corporation fails to perform any of the covenants specified in Section 7 or 8 above;
- (d) except for matters set forth in Sections 9(a), 9(b) or 9(c) above, if the Corporation is in material default in the due performance or observance of any of the other terms and conditions of this Note, and such default is not remedied within ten (10) calendar days after written notice thereof has been given to the Corporation;
- (e) if any representation or warranty made by the Corporation herein, or any representation, warranty or statement in any certificate or other document furnished to the Lender, is or would be materially incorrect, misleading or untrue as of the date made or deemed made;
- (f) the occurrence of a material adverse change in the business, property, assets, prospects, operations or condition, financial or otherwise, of the Corporation;
- (g) the occurrence of a Change of Control;
- (h) the Corporation shall (i) become insolvent or generally unable to pay its debts as they become due; (ii) admit in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institute or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors (and including, without limitation, any proceedings seeking to compromise the claims of creditors or approve or impose a plan of arrangement under the *Canada Business Corporations Act* or the *Business Corporations Act* (Ontario) or similar proceedings under similar statutes), or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any material portion of its assets, and in the case of any such proceeding or order instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 10 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets) occurs; or (iv) take any corporate action to authorize any of the above actions;
- (i) the Corporation fails to perform or observe any material term, covenant or agreement in any material contract on its part to be performed or observed; (ii) the occurrence of an event of default by the Corporation under any material contract; or (iii) any material contract is terminated, revoked or permitted to lapse (other than at its stated maturity);
- (j) (i) it becomes unlawful for the Corporation to comply with its material obligations under this Note, the GSA or any other documents related hereto to which it is a party or any of

those obligations are not or cease to be legal, valid and binding; or (ii) the validity of this Note, the GSA or any or other documents related hereto to which it is a party shall be disaffirmed by or on behalf of the Corporation;

(k) (i) there shall be commenced any legal action or proceedings in respect of a claim against the Borrower for an amount of \$250,000 or more and such claim is not subject to a legitimate counterclaim or defence by the Corporation, or (ii) any final judgment or order (subject to no further right of appeal) for the payment of money aggregating in excess of \$250,000 (or the equivalent amount in any other currency) shall be rendered against the Corporation;

(l) the shares of the Corporation shall cease to be listed on the TSX Venture Exchange, or the shares of the Corporation shall be suspended from trading for a period in excess of 10 trading days;

(m) if the Corporation (i) ceases or attempts to cease its activities or a major part thereof, or (ii) transfers or agrees to transfer all or substantially of its assets or (iii) discontinues or materially changes the nature of its business, (iv) or fails to pay any material obligation when due; or

(n) the Lender shall have determined that a Default has occurred and is continuing that it reasonably believes cannot be cured.

10. **Remedies on Default.** Upon the occurrence and during the continuation of an Event of Default: (i) the Lender may require the Corporation immediately to pay to the Lender all amounts owing to the Lender hereunder, including without limitation interest accruing hereunder and unpaid to the date of payment (provided that all such amounts shall be automatically due and payable upon the occurrence of an Event of Default specified in paragraph 9(h)); and (ii) the Lender may exercise any and all rights and remedies available to the Lender pursuant to the GSA or at law or in equity.

11. **Prepayment.** The Corporation may not prepay all or part of the principal sum of this Note prior to the Maturity Date.

12. **Governance Matters** – For so long as the Lender owns at least 5% of the outstanding Common Shares of the Corporation (taking into account the conversion of all securities held by the Lender and any of its affiliates without regard to “blocker” provisions on conversion) and any principal amount of this Note is outstanding, the Lender shall have the right to nominate two (2) individuals to the board of directors of the Corporation; provided, however, that at any time prior to proposing any such nominees for director(s) or during which the Lender does not have any of its nominees on the board of directors of the Corporation, the Lender shall have the right to observer status for all meetings of the board of directors of the Corporation, and in this regard the Corporation shall include the Lender in all communications from the Corporation to the board of directors of the Corporation.

13. **Transferability.** The Lender may transfer the whole or part of the rights in respect of this Note to an accredited investor (as defined by applicable Canadian securities legislation), upon written notice to the Corporation. Title to this Note passes only upon the cancellation of

the existing certificate and the issue of a new certificate (or new certificates in the case of a transfer of part of this Note).

14. Conversion.

(a) The outstanding Principal Amount of this Note shall be converted at the option of the Lender, upon three (3) business days' notice by the Lender to the Corporation, in whole or in part, into fully paid Common Shares of the Corporation at a conversion price of no less than \$0.10 per Common Share, as such amount may be adjusted pursuant hereto (the date of such conversion, the "Conversion Date").

(b) Upon conversion of any portion of the Principal Amount of this Note pursuant to section 14(a), such portion of the outstanding Principal Amount of the Note shall be converted automatically without any further action by the Lender and whether or not the certificate representing such Note is surrendered to the Corporation. The Corporation shall not be obligated to issue any certificate evidencing the Common Shares issuable upon such conversion unless the certificate evidencing such Note is either delivered to the Corporation, or the Lender notifies the Corporation that such certificate has been lost, stolen, or destroyed and provides such indemnity as may be reasonably required by the Corporation and consistent with customary terms in similar circumstances. The Corporation shall, at its expense and as soon as practicable after such delivery of the certificate evidencing the Note or such notification and indemnification in the case of a lost, stolen, or destroyed certificate, issue and deliver to the Lender a certificate or certificates for the number of Common Shares to which the Lender shall be entitled as aforesaid, together with cash in lieu of any fraction of a Common Share in accordance with Section 14(e) hereof.

(c) Upon the issuance of the Common Shares into which the Note or any portion of the principal amount thereof is converted, the Corporation shall enter the Lender in its register of members in respect of the relevant number of Common Shares arising from such conversion. The Lender shall be treated for all purposes as the record holder or holders of such Common Shares at such time, and the Corporation shall issue a new note to the Lender representing the remaining principal amount of the Note, if any, in the case of a partial conversion of the Note.

(d) The conversion price per Common Share shall be an amount equal to ten cents (\$0.10), subject to adjustments calculated in good faith by the board of directors of the Corporation for stock splits, consolidation, other capital reorganizations or extraordinary dividends, in which case the conversion price shall mean the price as so adjusted and in effect at such time. The number of Common Shares to which the Lender shall be entitled upon conversion will be the number obtained by aggregating the outstanding principal amount of the Note held by the Lender to be converted, and dividing such number by the conversion price set out herein.

(e) No fractional Common Shares shall be issued upon conversion of the Note or any portion of the principal amount thereof. In lieu of any fractional Common Share to which the Lender would otherwise be entitled upon conversion, the Corporation shall pay to the Lender cash equal to the outstanding Principal Amount that is not so converted, together with any interest accrued and unpaid to and including the Conversion Date.

(f) The Corporation shall ensure that at all times there is a sufficient number of authorized but unissued Common Shares in its authorized share capital to be issued in satisfaction of the conversion of this Note and the Warrants (and in any event not less than 110% of the shares that would be issued on any given date), and all approvals required for the issue of the Common Shares upon exercise of the conversion rights set out herein have been obtained and are in force as at the relevant time.

(g) Notwithstanding any other provision of this Note, the Lender may not convert that portion of the principal amount of this Note which would result in the Lender (alone or in combination with any other person), directly or indirectly, holding, beneficially owning or controlling or directing more than 19.9% of the issued and outstanding Common Shares of the Corporation, including any other securities of the Corporation of the Lender (alone or in combination with any other person), at the time of such exercise. In the event that the Lender is so restricted from converting some or all of the principal amount of this Note at a particular time, the Lender shall retain the right to convert such principal amount at a later date(s), until and including the Maturity Date, if such conversion does not result in the Lender (alone or in combination with any other person), directly or indirectly, holding, beneficially owning or controlling or directing more than 19.9% of the issued and outstanding Common Shares of the Corporation, including any other securities of the Corporation of the Lender (alone or in combination with any other person), at the time of such subsequent exercise.

15. **Assignment.** The rights and obligations of the Corporation and the Lender pursuant to this Note shall be binding upon and benefit the successors, permitted assigns and permitted transferees of the Corporation and the Lender.

16. **No Set-Off.** All payments of principal and interest hereunder shall be made free and clear of and without deduction for any setoff or counterclaim or other deduction of any nature.

17. **Interest Adjustment.** In the event that a court of competent jurisdiction determines that any provision of this Note obligates the Corporation to make any payment of interest, or other amount payable to the Lender, in an amount, or calculated at a rate, which would be prohibited by applicable laws or would result in receipt by the Lender of interest at a rate in excess of the maximum rate permissible under such laws then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted, with retroactive effect, to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in receipt by the Lender of interest at a rate in excess of the maximum rate permissible. Each interest rate which is calculated under this Note on any basis other than a full calendar year (the "deemed interest period") is, for the purposes of the *Interest Act* (Canada), equivalent to a yearly rate calculated by dividing such interest rate by the actual number of days in the deemed interest period, then multiplying such result by the actual number of days in the calendar year (365 or 366).

18. **Waiver.** The Corporation waives presentment for payment, demand, notice of non-payment, notice of dishonour, protest and notice of protest of this promissory note and diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the holder with respect to the payment or any other provision of this Note.

19. **Expenses.** The Corporation shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender and its affiliates, including the reasonable fees, charges and disbursements of counsel for the Lender, in connection with the preparation, negotiation, execution, delivery and administration of this Note, the GSA, the Warrants and the other agreements or instruments contemplated hereby or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) (the "**Expenses**"), provided that the Corporation shall not be responsible for any Expenses in excess of \$20,000, and (ii) all reasonable out-of-pocket expenses incurred by the Lender including the reasonable fees, charges and disbursements of counsel, in connection with the enforcement of its rights in connection with this Note, the GSA and the other agreements or instruments contemplated thereby, including its rights under this paragraph, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations.

20. **Indemnity.** The Corporation shall indemnify the Lender, and each of its officers, directors, shareholders, advisors and affiliates (each such Person being called an "**Indemnitee**") against, and hold each Indemnitee harmless from, any and all claims suffered or incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Corporation arising out of, in connection with, or as a result of (i) the execution or delivery of this Note or any agreement or instrument contemplated hereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or the consummation or non-consummation of the transactions contemplated hereby, (ii) the use or proposed use of the proceeds of this Note; or (iii) any actual or prospective claim relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Corporation and regardless of whether any Indemnitee is a party thereto.

21. **Interpretation.** This Note shall be read with all changes of gender and number as required by the context in each case. This Note shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and the parties hereto hereby attorn to the jurisdiction of the Province of Ontario. This Note, together with all rights, entitlements, duties and obligations arising from the same, shall extend to, be binding upon and enure to the benefit of the parties hereto and their respective heirs, legal personal representatives, successors and assigns.

22. **Confidentiality.** Each of the Lender and the Corporation agree that the terms and conditions of this Note and the GSA will be kept confidential and will not, without the prior written consent of the other, be disclosed, except to the extent that such terms and conditions have been publicly disclosed.

23. **Other.** The Corporation hereby acknowledges that it has received confirmation from the Lender that it, and (if applicable) any other party on whose behalf it is acquiring this Note, is not a U.S. Person (as such term is defined in Regulation S under the Securities Act of 1933, as amended, of the United States of America).

IN WITNESS WHEREOF the Corporation has caused this Note to be executed under the hand of its duly authorized officer and delivered to the Lender as of the 21st day of October, 2011.

BLUTIP POWER TECHNOLOGIES LTD.

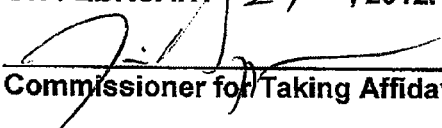
Per: Peter H. Williams
Name: Peter H. Williams
Title: Chairman

APPENDIX 1

[SEE ATTACHED SOURCES AND USES]

TAB B

THIS IS EXHIBIT "B" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY FOLLOWING THE EFFECTIVE DATE.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THIS NOTE AND THE SECURITIES INTO WHICH THIS NOTE IS CONVERTIBLE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL THE DATE THAT IS FOUR MONTHS AND A DAY FOLLOWING THE EFFECTIVE DATE.

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, (THE "ACT") OR ANY APPLICABLE STATE SECURITIES LAWS NOR QUALIFIED FOR SALE IN ANY PROVINCE OR TERRITORY OF CANADA UNDER APPLICABLE SECURITIES LAWS ("CANADIAN LAWS"). THESE SECURITIES MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS, AND/OR CANADIAN LAWS, AS THE CASE MAY BE, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. HOLDERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS AND/OR CANADIAN LAWS, AS THE CASE MAY BE.

BLUTIP POWER TECHNOLOGIES LTD.

Convertible Senior Secured Promissory Note

Lender: CCM Master Qualified Fund, Ltd. (the "**Lender**")

Date of Issue: December 29, 2011

Cdn\$800,000 (the "**Principal Amount**")

BLUTIP POWER TECHNOLOGIES LTD. (the "**Corporation**"), a corporation incorporated and existing under the laws of the province of Ontario, Canada, the registered office of which is located at 6705 Millcreek Drive, Suite 4, Mississauga, Ontario, Canada L5N 5M4, for value received hereby promises, as of and from the Effective Date, to pay to the order of the Lender identified herein, or its permitted assigns, the Principal Amount identified above, together with any unpaid accrued interest hereon, as set forth below. Subject to Section 7 below relating to conversion of this Note, the Principal Amount shall be due and payable on the earlier to occur (such earlier date being the "**Maturity Date**" hereunder) of (i) October 31, 2013, or (ii) when declared due and payable by the Lender upon the occurrence and continuance of an Event of Default (as defined below) or otherwise deemed to be due and payable upon the occurrence of certain Events of Default.

Payment of all amounts due hereunder shall be made by wire transfer of immediately available funds to an account as notified in writing from time to time by the Lender to the Corporation.

The following is a statement of the rights of the Lender and the conditions to which this Note is subject, and to which the Lender, by the acceptance of this Note, agrees:

1. **Definitions.** The following terms shall have the following meanings:

"Approved Annual Plan" means an annual business plan, including a capital budget, approved by the Lender.

"Chart of Approvals" means the required approvals in respect of the execution and instructions for banking transactions of the Corporation.

"Change of Control" means, in respect of the Corporation, any person or group of persons acting jointly or in concert including their affiliates (other than the Lender) acquires more than 50% (on a fully diluted basis) of the economic or voting interests in the capital of the Corporation or acquires the right to directly designate or nominate a majority of the board of directors of the Corporation.

"Common Shares" means common shares of the Corporation.

"Default" means any event which is an Event of Default or with the passage of time would reasonably be expected to result in an Event of Default.

"Effective Date" means December 29, 2011.

"Existing Convertible Note" means the convertible senior secured promissory note dated October 21, 2011 issued by the Corporation in favour of the Lender.

"Warrants" means the warrants of the Corporation issued to the Lender in connection with this Note.

2. **Interest.** The Note shall bear interest at a rate (the **"Interest Rate"**) of fifteen percent (15%) per annum, calculated from the Effective Date to the latest Maturity Date, and payable in advance on the date of hereof. During the continuation of an Event of Default the Interest Rate shall be increased by 2% per annum, such increase to be calculated daily and payable monthly in arrears on the last business day of each month.

3. **Use of Proceeds.** The proceeds of the Note shall be used (i) to pay interest on the Note due on the date hereof; (ii) to pay the Expenses (as such term is defined in Section 19 hereof); (iii) to pay to the Lender a commitment fee in the amount of \$45,000; and (iv) for general working capital purposes; provided, however, that the proceeds of the Note shall not be used to pay, settle or otherwise fund any litigation, action, suit, proceeding or claim of any kind, whether existing, pending or threatened. The foregoing amounts in clauses (i), (ii) and (iii) shall be deducted by the Lender from the proceeds of this Note otherwise to be made available to the Corporation.

4. **Intentionally Deleted.**

5. **Ranking/Security.** The obligations of the Corporation under the Note shall rank senior to all current and future obligations of the Corporation (but shall rank *pari passu* with the Existing Convertible Note) and shall be secured by a perfected first priority security interest in all of the existing and after acquired personal property of the Corporation pursuant to a general security agreement (the “GSA”) executed by the Corporation in favour of the Lender on October 21, 2011, but shall be subject to the permitted encumbrances described in Schedule B of the GSA. For greater certainty, the Note shall be considered a “Note” for the purposes and within the meaning of the GSA.

6. **Representations and Warranties.** The Corporation represents, warrants and covenants to and with the Lender as follows:

(i) the Corporation is a reporting issuer in the province(s) of Ontario, Alberta, and British Columbia, and is in compliance with all material obligations under applicable securities legislation in such jurisdiction(s);

(ii) the Corporation is a valid and subsisting corporation duly incorporated, and in good standing under the laws of the Province of Ontario with all the requisite corporate power and capacity to carry on its business as now conducted and as presently proposed to be conducted by it and to own its assets;

(iii) the Corporation is conducting its business in material compliance with all applicable laws, rules and regulations of each jurisdiction in which its business is carried on and is duly licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such licences, registrations and qualifications are valid, subsisting and in good standing, except in respect of matters which do not and will not result in any adverse material change and except for the failure to be so qualified or the absence of any such license, registration or qualification which does not and will not have a material adverse effect on the assets or properties, business, results of operations, prospects or condition (financial or otherwise) of the Corporation;

(iv) the Corporation has all of the required corporate power and authority to (a) create, issue and sell the Note, and to issue the Common Shares upon conversion of the Note and the Common Shares issuable upon the exercise of the Warrants, as applicable, and (b) enter into the Note and to carry out the provisions of this agreement;

(v) this Note has been duly authorized, executed and delivered by, and constitutes a legal valid and binding agreement of, the Corporation enforceable against the Corporation in accordance with its terms, except as the enforceability thereof may be limited by (a) bankruptcy, insolvency, moratorium or similar laws affecting creditor’s rights generally, (b) general equitable principles, (c) limitations under applicable law in respect of rights of indemnity, contribution and waiver of contribution, and (d) the lack of approval from the TSX Venture Exchange to this Note and the transactions contemplated hereby; the issuance by the Corporation of Common Shares sufficient to cover 110% of the Common

Shares that would be issued upon conversion of the Note and exercise of the Warrants has been duly authorized by the Corporation;

(vi) the execution of this agreement and the issue and sale of the Note by the Corporation does not and will not conflict with, and does not and will not result in a breach of, any of the terms of its constating documents or any agreement or instrument to which the Corporation or its assets is a party or otherwise bound;

(vii) the Corporation, has complied and will comply fully with the requirements of all applicable corporate and securities laws and regulations in all matters relating to the issuance of this Note, the Warrants and the securities into which the Note and Warrants are convertible or exercisable, as the case may be;

(viii) no approval, authorization, consent or other order of, and no filing, registration or recording with, any governmental authority is required by the Corporation in connection with the execution and delivery or with the performance by the Corporation of the Note, other than the approval of the TSX Venture Exchange;

(ix) as at the date of hereof the Corporation does not have any other outstanding indebtedness other than hereunder and other than (a) the indebtedness secured by the security interests referred to in Schedule B of the GSA, (b) the obligation to pay up to \$90,000 in connection with the "Transfuel" litigation claim disclosed to the Lender or its counsel, and (c) the indebtedness evidenced by the Existing Convertible Note;

(x) the only subsidiaries of the Corporation are 2121995 Ontario Inc. and 2121996 Ontario Inc., and each such subsidiary is inactive.

7. **Positive Covenants.** The Corporation hereby covenants with the Lender as follows:

(i) **Punctual Payment** - It shall duly and punctually pay the obligations hereunder at the times and places and in the manner required hereby.

(ii) **Existence** - It shall: (a) maintain its corporate existence in good standing under the laws of its jurisdiction of incorporation or formation, (b) continue to conduct its business substantially as now conducted and shall conduct its business and owns its exclusively through the Corporation (and for greater certainty not through any of its subsidiaries), and (c) do, or cause to be done, all things necessary to keep in full force and effect all permits and all properties, rights, franchises, licenses and qualifications to carry on its business in all jurisdictions where its business is currently being carried on.

(iii) **Conduct of Business** - It shall keep all of its assets used or useful in the conduct of its business in good repair, working order and condition, ordinary wear and tear excepted, and from time to time shall make, or cause to be made, all commercially reasonable repairs, renewals and replacements, betterments and improvements to such assets in the conduct of its business as may be properly advantageous to its Business at all times.

(iv) **Taxes** - It shall file or cause to be filed, when due, all federal, provincial and local returns, filings, elections and reports which are required to be filed by it in respect of all taxes, and shall pay or cause to be paid all such taxes as are required by applicable law and in accordance with any assessment or demand for payment received by it as and when such taxes become due and payable and provide evidence of payment if so requested by the Lender.

(v) **Notice of Advance Events** - It shall promptly notify the Lender of (a) any Default or Event of Default of which it becomes aware, (b) any change or circumstance of which it becomes aware or ought to have become aware, using reasonable diligence, which could have a Material Adverse Effect, (c) it becoming aware of the occurrence or threat of any litigation, action, suit, proceeding or other claim in excess of \$50,000 which is commenced or, arbitration, proceeding or other circumstance, and from time to time provide the Lender with all reasonable information requested by the Lender concerning the status of such litigation, and (d) any action taken by any creditor (other than the Lender) to recover amounts outstanding respecting any of its indebtedness or other obligations (other than in the ordinary course of business).

(vi) **Accounting Policies and Practices** - It shall ensure that all of its accounting policies, practices and calculation methods shall be in accordance with Canadian GAAP and with IFRS, as applicable, at all times, it shall keep and maintain books and records reflecting all financial transactions with true and correct entries in accordance with Canadian GAAP and with IFRS, as applicable, and on a consistent basis.

(vii) **Access and Provision of Information** - It shall promptly provide the Lender with all information reasonably requested by the Lender from time to time concerning its financial condition and property, and during normal business hours and from time to time upon reasonable notice, permit representatives of the Lender to inspect any of its property, and to examine and take extracts from its financial books and records, including accounts and records stored in computer data banks and computer software systems, and to discuss its financial condition with its senior officers and (in the presence of such of its representatives as it may designate) its auditors. It shall provide the Lender with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Note, the GSA and the other documents related thereto, and such other information as the Lender may request from time to time.

(viii) **Intellectual Property Rights** - It shall (a) maintain all necessary registrations and applications for registration for any intellectual property right which is material for its business, in good standing, including paying all fees and making all such filings as may be required from time to time, (b) notify the Lender if it knows, or has reason to know, of any application or registration relating to any patent or trade mark material to its business that may expire, become abandoned or dedicated to the public domain, or of any material adverse determination or development (including the institution of, or any such determination or development in, any proceeding in the Canadian patent and trade mark offices or any court or tribunal in any country) regarding its ownership of any material intellectual property right or its right to register the same or to keep and maintain the

same, and (c) report to the Lender any application for the registration of any trade-mark material to its business with the trade mark office in each jurisdiction in which is carries on business and any application for any patent material to its business with the patent office in each such jurisdiction, in each case within thirty (30) days after the last day of the fiscal quarter in which such application occurs (whether any such application is made by itself or through any agent, employee, licensee or designee).

(ix) **Compliance with Laws** – It shall comply with all applicable law in the conduct of its business including those relating to licencing, employment and labour matters, and environmental laws, and obtain all required permits and maintain them and material contracts in good standing.

(x) **Addition Co-Signors** – It shall add and maintain a representative of the Lender as a co-signor on all bank accounts and instruct, in a form acceptable to the Lender, each of its banks that upon notice to such bank by the Lender that an Event of Default has occurred and is continuing (as determined by the Lender) that all banking transactions from and after the receipt by the bank of such notice shall require the joint approval of a representative of both the Corporation and the Lender.

(xi) **Chart of Approvals** – It shall follow its Chart of Approvals.

8. **Negative Covenants/Reporting Covenant.** The Corporation hereby covenants with the Lender as follows:

(i) **Additional Capital** - It shall not issue any additional equity interests unless (i) such additional equity interests are Common Shares; (ii) such additional Common Shares are issued at a price of not less than \$0.10 per share (adjusted in a manner similar to that in respect of Warrants); and (iii) the Lender shall have been provided with a pre-emptive right to participate in any such issuance on a pro rata basis (determined on a fully diluted basis based on the shareholdings of the Lender and after giving effect to a conversion of this Note (but subject to the provisions of Section 14(g)).

(ii) **Additional Debt** - It shall not issue any additional debt securities or incur any additional indebtedness or other obligations, other than trade payables or equipment leases incurred in the ordinary course of business or as set out in the Approved Annual Plan.

(iii) **Reporting** - It shall provide the Lender with copies of any financial reports or other materials filed pursuant applicable securities laws concurrently with the filing thereof. In addition, it shall provide the Lender with the following management prepared monthly financial materials within 5 days of the end of each calendar month (a) statement of cash activity and cash balance, (b) income statement, (c) balance sheet, (d) statement of cash flows, (e) details of all new sales and pipeline of sales activities, (f) detailed ledger of accounts receivable and payable, (g) management discussion of development activity and hardware build summary, and (h) such other matters as identified by the Lender, acting reasonably;

(iv) **Additional Investments** - It shall not make any additional investments, acquisitions, loans, dividends, distributions, share buy-back, extraordinary payments or enter into any agreement to make any of the foregoing, other than as specified in an Approved Annual Plan.

(v) **Fundamental Changes** - It will not enter into any transaction (or series of transactions) by way of reconstruction, arrangement, reorganization, consolidation, amalgamation, wind-up, liquidation, dissolution, merger or otherwise, other than in the ordinary course of business.

(vi) **Transactions** - It will not enter into any transaction outside the ordinary course of business.

(vii) **Significant Agreements** - It will not enter into legal agreements, obligations or other contractual arrangements (or any series of such transactions) that create a current or future liability for the Corporation in excess of \$150,000 unless otherwise specified in an Approved Annual Plan.

(viii) **Related Party Transactions** - It shall not enter into any transaction with any party not at arms length (as such term is defined in the *Income Tax Act* (Canada)) with the Corporation (other than the Lender and its affiliates).

(ix) **Sale Leasebacks** - It shall not enter into any sale lease-back transaction or any other off-balance sheet arrangements.

(x) **Other Changes** - It shall not make any changes to its articles or by-laws or other constating documents.

(xi) **Settlement of Litigation, etc.** - It shall not settle any litigation, action, suit, proceeding or claim of any kind, whether existing, pending or threatened.

9. **Events of Default.** An "Event of Default" shall exist if any of the following events or conditions shall occur and be continuing:

- (a) the occurrence of an event of default under the GSA;
- (b) if the Corporation fails to pay any amount due from it under the Note in the manner and on the due date stipulated herein;
- (c) if the Corporation fails to perform any of the covenants specified in Section 7 or 8 above;
- (d) except for matters set forth in Sections 9(a), 9(b) or 9(c) above, if the Corporation is in material default in the due performance or observance of any of the other terms and conditions of this Note, and such default is not remedied within ten (10) calendar days after written notice thereof has been given to the Corporation;

(e) if any representation or warranty made by the Corporation herein, or any representation, warranty or statement in any certificate or other document furnished to the Lender, is or would be materially incorrect, misleading or untrue as of the date made or deemed made;

(f) the occurrence of a material adverse change in the business, property, assets, prospects, operations or condition, financial or otherwise, of the Corporation;

(g) the occurrence of a Change of Control;

(h) the Corporation shall (i) become insolvent or generally unable to pay its debts as they become due; (ii) admit in writing its inability to pay its debts generally or makes a general assignment for the benefit of creditors; (iii) institute or has instituted against it any proceeding seeking (x) to adjudicate it a bankrupt or insolvent, (y) liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors (and including, without limitation, any proceedings seeking to compromise the claims of creditors or approve or impose a plan of arrangement under the *Canada Business Corporations Act* or the *Business Corporations Act* (Ontario) or similar proceedings under similar statutes), or (z) the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any material portion of its assets, and in the case of any such proceeding or order instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 10 days, or any of the actions sought in such proceeding (including the entry of an order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets) occurs; or (iv) take any corporate action to authorize any of the above actions;

(i) the Corporation fails to perform or observe any material term, covenant or agreement in any material contract on its part to be performed or observed; (ii) the occurrence of an event of default by the Corporation under any material contract; or (iii) any material contract is terminated, revoked or permitted to lapse (other than at its stated maturity);

(j) (i) it becomes unlawful for the Corporation to comply with its material obligations under this Note, the GSA or any other documents related hereto to which it is a party or any of those obligations are not or cease to be legal, valid and binding; or (ii) the validity of this Note, the GSA or any or other documents related hereto to which it is a party shall be disaffirmed by or on behalf of the Corporation;

(k) (i) there shall be commenced any legal action or proceedings in respect of a claim against the Borrower for an amount of \$250,000 or more and such claim is not subject to a legitimate counterclaim or defence by the Corporation, or (ii) any final judgment or order (subject to no further right of appeal) for the payment of money aggregating in excess of \$250,000 (or the equivalent amount in any other currency) shall be rendered against the Corporation;

(l) the shares of the Corporation shall cease to be listed on the TSX Venture Exchange, or the shares of the Corporation shall be suspended from trading for a period in excess of 10 trading days;

(m) if the Corporation (i) ceases or attempts to cease its activities or a major part thereof, or (ii) transfers or agrees to transfer all or substantially of its assets or (iii) discontinues or materially changes the nature of its business, (iv) or fails to pay any material obligation when due; or

(n) the Lender shall have determined that a Default has occurred and is continuing that it reasonably believes cannot be cured.

10. **Remedies on Default.** Upon the occurrence and during the continuation of an Event of Default: (i) the Lender may require the Corporation immediately to pay to the Lender all amounts owing to the Lender hereunder, including without limitation interest accruing hereunder and unpaid to the date of payment (provided that all such amounts shall be automatically due and payable upon the occurrence of an Event of Default specified in paragraph 9(h)); and (ii) the Lender may exercise any and all rights and remedies available to the Lender pursuant to the GSA or at law or in equity.

11. **Prepayment.** The Corporation may not prepay all or part of the principal sum of this Note prior to the Maturity Date.

12. **Governance Matters** – For so long as the Lender owns at least 5% of the outstanding Common Shares of the Corporation (taking into account the conversion of all securities held by the Lender and any of its affiliates without regard to “blocker” provisions on conversion) and any principal amount of this Note is outstanding, the Lender shall have the right to nominate two (2) individuals to the board of directors of the Corporation; provided, however, that that at any time prior to proposing any such nominees for director(s) or during which the Lender does not have any of its nominees on the board of directors of the Corporation, the Lender shall have the right to observer status for all meetings of the board of directors of the Corporation, and in this regard the Corporation shall include the Lender in all communications from the Corporation to the board of directors of the Corporation.

13. **Transferability.** The Lender may transfer the whole or part of the rights in respect of this Note to an accredited investor (as defined by applicable Canadian securities legislation), upon written notice to the Corporation. Title to this Note passes only upon the cancellation of the existing certificate and the issue of a new certificate (or new certificates in the case of a transfer of part of this Note).

14. **Conversion.**

(a) The outstanding Principal Amount of this Note shall be converted at the option of the Lender, upon three (3) business days' notice by the Lender to the Corporation, in whole or in part, into fully paid Common Shares of the Corporation at a conversion price of no less than \$0.10 per Common Share, as such amount may be adjusted pursuant hereto (the date of such conversion, the “**Conversion Date**”).

(b) Upon conversion of any portion of the Principal Amount of this Note pursuant to section 14(a), such portion of the outstanding Principal Amount of the Note shall be converted automatically without any further action by the Lender and whether or not the certificate representing such Note is surrendered to the Corporation. The Corporation shall not be obligated to issue any certificate evidencing the Common Shares issuable upon such conversion unless the certificate evidencing such Note is either delivered to the Corporation, or the Lender notifies the Corporation that such certificate has been lost, stolen, or destroyed and provides such indemnity as may be reasonably required by the Corporation and consistent with customary terms in similar circumstances. The Corporation shall, at its expense and as soon as practicable after such delivery of the certificate evidencing the Note or such notification and indemnification in the case of a lost, stolen, or destroyed certificate, issue and deliver to the Lender a certificate or certificates for the number of Common Shares to which the Lender shall be entitled as aforesaid, together with cash in lieu of any fraction of a Common Share in accordance with Section 14(e) hereof.

(c) Upon the issuance of the Common Shares into which the Note or any portion of the principal amount thereof is converted, the Corporation shall enter the Lender in its register of members in respect of the relevant number of Common Shares arising from such conversion. The Lender shall be treated for all purposes as the record holder or holders of such Common Shares at such time, and the Corporation shall issue a new note to the Lender representing the remaining principal amount of the Note, if any, in the case of a partial conversion of the Note.

(d) The conversion price per Common Share shall be an amount equal to ten cents (\$0.10), subject to adjustments calculated in good faith by the board of directors of the Corporation for stock splits, consolidation, other capital reorganizations or extraordinary dividends, in which case the conversion price shall mean the price as so adjusted and in effect at such time. The number of Common Shares to which the Lender shall be entitled upon conversion will be the number obtained by aggregating the outstanding principal amount of the Note held by the Lender to be converted, and dividing such number by the conversion price set out herein.

(e) No fractional Common Shares shall be issued upon conversion of the Note or any portion of the principal amount thereof. In lieu of any fractional Common Share to which the Lender would otherwise be entitled upon conversion, the Corporation shall pay to the Lender cash equal to the outstanding Principal Amount that is not so converted, together with any interest accrued and unpaid to and including the Conversion Date.

(f) The Corporation shall ensure that at all times there is a sufficient number of authorized but unissued Common Shares in its authorized share capital to be issued in satisfaction of the conversion of this Note and the Warrants (and in any event not less than 110% of the shares that would be issued on any given date), and all approvals required for the issue of the Common Shares upon exercise of the conversion rights set out herein have been obtained and are in force as at the relevant time.

(g) Notwithstanding any other provision of this Note, the Lender may not convert that portion of the principal amount of this Note which would result in the Lender (alone or in combination with any other person), directly or indirectly, holding, beneficially owning or controlling or directing more than 19.9% of the issued and outstanding Common Shares of the

Corporation, including any other securities of the Corporation of the Lender (alone or in combination with any other person), at the time of such exercise. In the event that the Lender is so restricted from converting some or all of the principal amount of this Note at a particular time, the Lender shall retain the right to convert such principal amount at a later date(s), until and including the Maturity Date, if such conversion does not result in the Lender (alone or in combination with any other person), directly or indirectly, holding, beneficially owning or controlling or directing more than 19.9% of the issued and outstanding Common Shares of the Corporation, including any other securities of the Corporation of the Lender (alone or in combination with any other person), at the time of such subsequent exercise.

15. **Assignment.** The rights and obligations of the Corporation and the Lender pursuant to this Note shall be binding upon and benefit the successors, permitted assigns and permitted transferees of the Corporation and the Lender.

16. **No Set-Off.** All payments of principal and interest hereunder shall be made free and clear of and without deduction for any setoff or counterclaim or other deduction of any nature.

17. **Interest Adjustment.** In the event that a court of competent jurisdiction determines that any provision of this Note obligates the Corporation to make any payment of interest, or other amount payable to the Lender, in an amount, or calculated at a rate, which would be prohibited by applicable laws or would result in receipt by the Lender of interest at a rate in excess of the maximum rate permissible under such laws then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted, with retroactive effect, to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in receipt by the Lender of interest at a rate in excess of the maximum rate permissible. Each interest rate which is calculated under this Note on any basis other than a full calendar year (the "deemed interest period") is, for the purposes of the *Interest Act* (Canada), equivalent to a yearly rate calculated by dividing such interest rate by the actual number of days in the deemed interest period, then multiplying such result by the actual number of days in the calendar year (365 or 366).

18. **Waiver.** The Corporation waives presentment for payment, demand, notice of non-payment, notice of dishonour, protest and notice of protest of this promissory note and diligence in collection or bringing suit, and consents to all extensions of time, renewals, waivers or modifications that may be granted by the holder with respect to the payment or any other provision of this Note.

19. **Expenses.** The Corporation shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender and its affiliates, including the reasonable fees, charges and disbursements of counsel for the Lender, in connection with the preparation, negotiation, execution, delivery and administration of this Note, the GSA, the Warrants and the other agreements or instruments contemplated hereby or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) (the "**Expenses**"), and (ii) all reasonable out-of-pocket expenses incurred by the Lender including the reasonable fees, charges and disbursements of counsel, in connection with the enforcement of its rights in connection with this Note, the GSA and the other agreements or

instruments contemplated thereby, including its rights under this paragraph, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations.

20. **Indemnity.** The Corporation shall indemnify the Lender, and each of its officers, directors, shareholders, advisors and affiliates (each such Person being called an "**Indemnatee**") against, and hold each Indemnatee harmless from, any and all claims suffered or incurred by any Indemnatee or asserted against any Indemnatee by any third party or by the Corporation arising out of, in connection with, or as a result of (i) the execution or delivery of this Note or any agreement or instrument contemplated hereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or the consummation or non-consummation of the transactions contemplated hereby, (ii) the use or proposed use of the proceeds of this Note; or (iii) any actual or prospective claim relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Corporation and regardless of whether any Indemnatee is a party thereto.

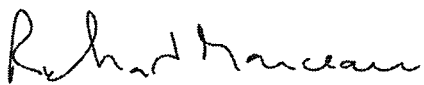
21. **Interpretation.** This Note shall be read with all changes of gender and number as required by the context in each case. This Note shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and the parties hereto hereby attorn to the jurisdiction of the Province of Ontario. This Note, together with all rights, entitlements, duties and obligations arising from the same, shall extend to, be binding upon and enure to the benefit of the parties hereto and their respective heirs, legal personal representatives, successors and assigns.

22. **Confidentiality.** Each of the Lender and the Corporation agree that the terms and conditions of this Note and the GSA will be kept confidential and will not, without the prior written consent of the other, be disclosed, except to the extent that such terms and conditions have been publicly disclosed.

23. **Other.** The Corporation hereby acknowledges that it has received confirmation from the Lender that it, and (if applicable) any other party on whose behalf it is acquiring this Note, is not a U.S. Person (as such term is defined in Regulation S under the Securities Act of 1933, as amended, of the United States of America).

IN WITNESS WHEREOF the Corporation has caused this Note to be executed under the hand of its duly authorized officer and delivered to the Lender as of the 29th day of December, 2011.

BLUTIP POWER TECHNOLOGIES LTD.

Per: 
 Name: Richard Marceau
 Title: Director

TAB C

THIS IS EXHIBIT "C" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

blutip Power Announces Completion of Private Placement of up to \$3,600,000 principal amount in Senior Secured Convertible Notes

blutip Power Technologies Ltd. (TSXV: BPR)

MISSISSAUGA, ON, Oct. 31, 2011 /CNW/ - blutip Power Technologies Ltd. ("**blutip Power**" or the "**Company**") is pleased to announce it has completed the previously announced Private Placement ("**Transaction**") of senior secured convertible notes (the "**Notes**") with CCM Master Qualified Fund, Ltd. ("**CCM**" or the "**Lender**") for gross proceeds of \$2,600,000 CDN.

The \$2,600,000 principal amount in Notes shall bear interest at the rate of 15% per annum and will mature twenty-four (24) months from the closing date and all or part of the principal amount due on the maturity date is convertible, at the option of the Lender, into common shares of blutip Power (the "**Common Shares**") at a conversion price of \$0.10 per share, subject to certain conversion restrictions (the "**Conversion Blocker**") which limits the ability of the Lender to convert the principal amount under the Notes into Common Shares in the event that as a result of such conversion exercise the Lender will hold more than 19.9% of the issued and outstanding shares in the capital of blutip Power.

Pursuant to the terms of the Transaction, the Company has issued 26,000,000 common share purchase warrants ("**Warrants**") at an exercise price of \$0.10 CDN per Warrant. The warrants shall expire twenty-four (24) months from the closing date and are subject to the similar Conversion Blocker as described above. All securities issued or issuable pursuant to the Transaction are subject to a four (4) month hold period in accordance with the policies of the TSX Venture Exchange ("**TSXV**") and applicable securities laws.

CCM reserves the right to advance up to an additional \$1,000,000 CDN principal amount in Notes and acquire up to an additional 10,000,000 Warrants at its discretion, at any time within sixty (60) days following closing. The additional Notes and Warrants will be subject to the same terms and conditions as outlined above, except that the conversion/exercise price, as applicable, shall be the greater of \$0.10 and any price required by TSXV at the time.

Net proceeds from the Transaction will be used to repay indebtedness, including the pre-payment of interest on the Notes, and for general working capital purposes.

Due to the Company's immediate need for financing in order to carry on its business and achieve its business objectives, the parties contemplated closing the Transaction as soon as possible following receipt of the required regulatory approvals. As such, in the Company's view, it will be necessary for the Company to file the material change report with respect to the Transaction less than 21 days before the expected closing date of the Transaction.

Reliance on Exemptions from Related Party Transaction Requirements

Due to the share holding interest of CCM in blutip Power, this offering constitutes a "related party transaction" for blutip Power pursuant to Multilateral Instrument 61-101 ("**MI 61-101**") Protection of Minority Security Holders in Special Transactions and triggers the requirement for a valuation and minority approval unless exemptions therefrom are available. As blutip Power is not listed on or quoted on any prescribed exchange listed in MI 61-101, the transaction is exempt from the formal valuation requirement contained in MI 61-101. Blutip is relying on the financial hardship exemption from the minority approval requirement of MI 61-101. Specifically, pursuant to MI 61-101, minority approval is not required for a related party transaction in the event of financial hardship in specified circumstances. Blutip has satisfied the elements of this exemption, namely: the Company is in serious financial difficulty, the Transaction is designed to improve the financial position of the Company, the Transaction is not subject to court approval nor has the Transaction been ordered to be effected under bankruptcy or insolvency law, and the Board of blutip Power and at least two-thirds of the Company's independent directors, all acting in good faith, have determined the foregoing circumstances are applicable and the terms of the Transaction are reasonable in the circumstances of blutip Power. The Board and the independent directors, acting in good faith, and with the advice of competent counsel, have determined that the above elements of the exemptions have been satisfied and that the terms of the Transaction are reasonable in the circumstances of the Company.

About blutip Power

blutip Power is a technology company headquartered in Mississauga, Ontario, Canada. The Company has invested in the research and development of hydrogen and control technology resulting in a proprietary, patented and patent-pending hydrogen generating system ("**HGS®**") and advancement in multi-fuel universal combustion controls. blutip Power's Hy-Drive HGS enriches the fuel-air charge of an internal combustion engine with hydrogen produced through electrolysis and uses its proprietary software controls to improve combustion of the fuel-air mixture. The result is improved fuel economy and reduced opacity (particulates).

Cautionary Note Regarding Forward-Looking Statements:

This press release contains certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with the business. Forward-looking statements contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements including but not limited to, statements about the Company's private placement and business, and can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate",

"thinks", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved" and similar expressions to the extent that they relate to the Company or its management. These forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below.

Many of these assumptions are based on factors and events that are not within the control of blutip Power and there is no assurance they will prove to be correct. Factors that could cause actual results or events to vary materially from results or events anticipated by such forward-looking information include receipt of all regulatory approvals, future working capital requirements, the ability to develop products on an economic basis, product validation, factors relating to the marketing, development and commercialization of blutip Power existing and prospective product lines, regulatory approvals and requirements, changes in foreign exchange and interest rates, government regulation, environmental risks, capital expenditures, intellectual property, operating or technical difficulties, risks associated with the emissions and fuel combustion industries such as economic factors (including fuel costs), failure of processes to operate as anticipated, dependence on key personnel, employee relations and availability of equipment and skilled personnel, actual results of current research and development activities, development timelines, risks associated with the emissions and fuel combustion industries, changes in project parameters as plans continue to be refined as well as those risk factors discussed below, which risks may cause actual results to differ materially from any forward-looking information.

Although blutip Power has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. blutip Power does not undertake to update any forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

%SEDAR: 00016984E

For further information:

Peter Williams
Chairman
Tel: (905) 542-3024 ext. 234
Email: pwilliams@blutipower.com

CO: blutip Power Technologies Ltd.

CNW 16:05e 31-OCT-11

blutip Power Announces Completion of Private Placement of \$800,000 principal amount in Senior Secured Convertible Notes

(TSXV: BPR)

MISSISSAUGA, ON, Dec. 29, 2011 /CNW/ - blutip Power Technologies Ltd. ("blutip Power" or the "Company") is pleased to announce it has completed the previously announced private placement ("Transaction") of senior secured convertible notes (the "Notes") with CCM Master Qualified Fund, Ltd. ("CCM" or the "Lender") for gross proceeds of \$800,000 CDN.

The Notes bear interest at the rate of 15% per annum and mature on October 31, 2013 and all or part of the principal amount due on the maturity date is convertible, at the option of the Lender, into common shares of blutip Power (the "Common Shares") at a conversion price of \$0.10 per share, subject to certain conversion restrictions (the "Conversion Blocker") which limits the ability of the Lender to convert the principal amount under the Notes into Common Shares in the event that, as a result of such conversion exercise, the Lender will hold more than 19.9% of the issued and outstanding shares in the capital of blutip Power.

Pursuant to the terms of the Transaction, the Company has also issued to CCM 8,000,000 common share purchase warrants ("Warrants"), exercisable at a price of \$0.10 CDN per share until October 31, 2013. The Warrants are subject to the similar Conversion Blocker as described above. All securities issued or issuable pursuant to the Transaction are subject to a four (4) month hold period. The Company paid CCM a commitment fee of \$45,000 in connection with the Transaction.

Net proceeds from the Transaction will be used exclusively for working capital, as well as the pre-payment of interest on the Notes.

Due to the Company's immediate need for financing in order to carry on its business and achieve its business objectives, the parties contemplated closing the Transaction as soon as possible following receipt of the required regulatory approvals. As such, in the Company's view, it will be necessary for the Company to file the material change report with respect to the Transaction less than 21 days before the expected closing date of the Transaction.

Reliance on Exemptions from Related Party Transaction Requirements

Due to the share holding interest of CCM in blutip Power, this offering constitutes a "related party transaction" for blutip Power pursuant to Multilateral Instrument 61-101 ("MI 61-101") Protection of Minority Security Holders in Special Transactions and triggers the requirement for a valuation and minority approval unless exemptions therefrom are available. As blutip Power is not listed on or quoted on any prescribed exchange listed in MI 61-101, the transaction is exempt from the formal valuation requirement contained in MI 61-101. Blutip is relying on the financial hardship exemption from the minority approval requirement of MI 61-101. Specifically, pursuant to MI 61-101, minority approval is not required for a related party transaction in the event of financial hardship in specified circumstances. Blutip has satisfied the elements of this exemption, namely: the Company is in serious financial difficulty, the Transaction is designed to improve the financial position of the Company, the Transaction is not subject to court approval nor has the Transaction been ordered to be effected under bankruptcy or insolvency law, and the Board of blutip Power and at least two-thirds of the Company's independent directors, all acting in good faith, have determined the foregoing circumstances are applicable and the terms of the Transaction are reasonable in the circumstances of blutip Power. The Board and the independent directors, acting in good faith, and with the advice of competent counsel, have determined that the above elements of the exemptions have been satisfied and that the terms of the Transaction are reasonable in the circumstances of the Company.

About blutip Power

blutip Power is a technology company headquartered in Mississauga, Ontario, Canada. The Company has invested in the research and development of hydrogen and control technology resulting in a proprietary, patented and patent-pending hydrogen generating system ("HGS®") and advancement in multi-fuel universal combustion controls. blutip Power's Hy-Drive HGS enriches the fuel-air charge of an internal combustion engine with hydrogen produced through electrolysis and uses its proprietary software controls to improve combustion of the fuel-air mixture. The result is improved fuel economy and reduced opacity (particulates).

Cautionary Note Regarding Forward-Looking Statements:

This press release contains certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with the business. Forward-looking statements contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements including but not limited to, statements about the Company's private placement and business, and can be identified by the use of forward-looking terminology such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", "thinks", or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will be taken", "occur", or "be achieved" and similar expressions to the extent that they relate to the Company or its management. These forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below.

Many of these assumptions are based on factors and events that are not within the control of blutip Power and there is no assurance they will prove to be correct. Factors that could cause actual results or events to vary materially from results or events anticipated by such forward-looking information include receipt of all regulatory approvals, future working capital requirements, the ability to develop products on an economic basis, product validation, factors relating to the marketing, development and commercialization of blutip Power existing and prospective product lines, regulatory approvals and requirements, changes in foreign exchange and interest rates, government regulation, environmental risks, capital expenditures, intellectual property, operating or technical difficulties, risks associated with the emissions and fuel combustion industries such as economic factors (including fuel costs), failure of processes to operate as anticipated, dependence on key personnel, employee relations and availability of equipment and skilled personnel, actual results of current research and development activities, development timelines, risks associated with the emissions and fuel combustion industries, changes in project parameters as plans continue to be refined as well as those risk factors discussed below, which risks may cause actual results to differ materially from any forward-looking information.

Although blutip Power has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. blutip Power does not undertake to update any forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

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For further information:

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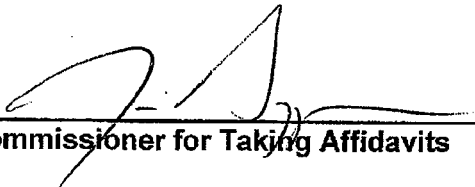
Peter Williams
Chairman
Tel: (905) 542-3024 ext. 234
Email: pwilliams@blutipower.com

CO: blutip Power Technologies Ltd.

CNW 16:30e 29-DEC-11

TAB D

THIS IS EXHIBIT "D" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

GENERAL SECURITY AGREEMENT

THIS AGREEMENT made as of the 21st day of October, 2011.

BETWEEN:

BLUTIP POWER TECHNOLOGIES LTD., a corporation with its principal place of business at 6705 Millcreek Drive, Suite 4, Mississauga, Ontario L5N 5M4

(hereinafter called the "**Debtor**")

- and -

CCM Master Qualified Fund, Ltd., with an address of dms House, 20 Genesis Close, Georgetown, Grand Cayman, KY1-1208, Cayman Islands

(hereinafter called the "**Secured Party**")

WHEREAS the Secured Party has agreed to make certain loans to or for the benefit of the Debtor which loans or are evidenced by one or more senior secured promissory notes issued by the Debtor to the Secured Party (collectively "**Notes**");

AND WHEREAS this General Security Agreement has been given by the Debtor to the Secured Party to secure the Indebtedness;

IN CONSIDERATION OF good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Debtor, the Debtor agrees with the Secured Party to enter into this Agreement on the terms and conditions hereinafter set out.

1. Security Interest

- (a) For valuable consideration, the Debtor hereby grants, assigns, transfers, mortgages and charges to the Secured Party, for the ratable benefit of the Secured Party, as and by way of a fixed and specific mortgage and charge, and grants to the Secured Party, a first ranking security interest in all of the Debtor's present and after-acquired personal property including, without limitation, all goods (including inventory and equipment), accounts, chattel paper, documents of title, instruments, intangibles, money, securities and all other investment property now owned or hereafter acquired by or on behalf of the Debtor (and all rights and interests now or hereafter held by or on behalf of the Debtor with respect to any of the foregoing) and also including without limitation:
 - (i) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter

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become due, owing or accruing or growing due to or owned by Debtor ("**Debts**");

- (ii) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (iii) all contractual rights and insurance claims;
- (iv) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation confidential information, trade-names, goodwill, copyrights, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively "**Intellectual Property**");
- (v) subject to paragraph 1(d) below, all leases now or hereafter acquired by the Debtor as tenant (whether oral or written) or any agreement therefore, together with all of the Debtor's erections, improvements and fixtures situate thereupon; and
- (vi) all proceeds of any of the foregoing,

(all of the property described in this paragraph (a) is herein collectively called the "**Collateral**").

- (b) The grants, assignments, transfers, mortgages, charges and security interests to and in favour of the Secured Party herein created are collectively called the "**Security Interest**".
- (c) for greater certainty but without, limiting the generality of the description of collateral set out in paragraph (a), the Collateral shall include all present and future personal property of the Debtor located on or about or in transit to or from the location(s) set out in Schedule A hereto.
- (d) The Security Interest granted hereby shall not extend or apply to, and the Collateral shall not include: (i) the last day of the term of any lease or agreement therefor; however, the Debtor will hold such last day in trust for the Secured Party, and upon the enforcement of the Security Interest the Debtor will assign the same as directed by the Secured Party; or (ii) any agreement, right, franchise, license or permit (collectively, the "**Contractual Rights**") to which the Debtor is a party or of which the Debtor has the benefit of, to the extent that the creation of the Security Interest would constitute a breach of the terms of or permit any person to terminate the Contractual Rights for failure to obtain the consent or waiver of that person (but not those Contractual Rights in respect of which such consent or waiver has been obtained), provided that the Debtor shall hold its interest therein in trust for the Secured Party, and, upon the request of the Secured Party, will take any and all actions required to provide the Secured Party with the

benefit of such Contractual Rights and shall assign and grant a security interest in such Contractual Rights in favour of the Secured Party forthwith upon obtaining the consent to such assignment and security interest as required of the other parties thereto. The Debtor agrees that it shall, upon the request of the Secured Party, use its best efforts to obtain any consent or waiver required to permit any Contractual Rights to be subjected to the Security Interest.

- (e) The terms "**accessions**", "**accounts**", "**chattel paper**", "**documents of title**", "**equipment**", "**goods**", "**instruments**", "**intangibles**", "**inventory**", "**investment property**", "**money**", "**proceeds**", and "**securities**", including any singular or plural variation thereof whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Personal Property Security Act* (Ontario), as amended from time to time, which Act, including amendments thereto and any Act substituted therefor and amendments thereto is herein referred to as the "**PPSA**".
- (f) The terms "**certificated security**", "**entitlement holder**", "**entitlement order**", "**financial asset**", "**issuer**", "**limited liability company**", "**security**", "**security certificate**", "**securities account**", "**security entitlement**", "**securities intermediary**" and "**uncertificated security**", including any singular or plural variation thereof whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Securities Transfer Act* (Ontario), as amended from time to time (the "**STA**"); provided that, when used herein, the terms "certificated security" and "uncertificated security" shall be understood to mean a certificated security or uncertificated security, as the case may be, that is held directly by and registered in the name of or endorsed to the Debtor and not a certificated security or uncertificated security to which the Debtor has a security entitlement.
- (g) Any reference hereinafter to the "**Collateral**" shall, unless the context otherwise requires, be deemed a reference to the "**Collateral or any part thereof**".
- (h) All capitalized terms used herein and not otherwise defined shall have the same meanings herein as are ascribed to such terms in the Notes.

2. **Indebtedness Secured.** The Security Interest granted hereby secures payment and satisfaction of any and all obligations, indebtedness and liability of the Debtor to the Secured Party (including interest thereon), present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred solely with respect to the obligations of the Debtor pursuant to this Security Agreement, the Notes, and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Debtor be bound alone or with another or others and whether as principal or surety, and all fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including interest and other monetary obligations accruing or incurred during the pendency of any proceeding under any bankruptcy or insolvency laws, whether or not such interest and other monetary

- 4 -

obligations are allowed claims in such proceedings) (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient to satisfy all Indebtedness of the Debtor, the Debtor acknowledges and agrees that the Debtor shall continue to be liable for any Indebtedness remaining outstanding and the Secured Party shall be entitled to pursue full payment thereof.

3. **Representations and Warranties of the Debtor.** The Debtor represents and warrants to the Secured Party and so long as this Security Agreement remains in effect the Debtor shall be deemed to continuously represent and warrant to the Secured Party that:

- (a) the Collateral is owned by the Debtor free and clear of any and all liens, security interests, charges, leasehold interest or other encumbrances other than permitted encumbrances, which permitted encumbrances are either (i) security granted to the Secured Party for its own benefit or for the benefit of the Secured Party, (ii) any other security interests, encumbrances, liens, charges and mortgages approved in writing by the Secured Party; and (iii) the security interests specified in Schedule B attached hereto;
- (b) the Debtor's business operations, its records, and the Collateral are now and will be all located at the locations specified in Schedule A attached hereto;
- (c) each agreement, if any, that the Debtor may enter into with a securities intermediary which governs any securities account included in the Collateral or to which any Collateral that is investment property may be credited will either (i) specify that the Province of Ontario is the security intermediary's jurisdiction for the purposes of the PPSA or (ii) be expressed to be governed by the laws of the Province of Ontario; and
- (d) none of the Collateral that is an interest in a partnership or a limited liability company and is subject to the STA:
 - (i) is dealt in or traded on any securities exchange or in any securities market;
 - (ii) expressly provides by its terms that it is a "security" for the purposes of the STA or any other similar provincial legislation; or
 - (iii) is held in a securities account,
 except for any Collateral of which the Secured Party or its nominee has "control" within the meaning of Section 1(2) of the PPSA.

4. **Covenants of the Debtor.** So long as this Security Agreement remains in effect, the Debtor covenants and agrees to the following.

- (a) The Debtor shall notify the Secured Party promptly of:

- 5 -

- (i) any change in the information contained herein or in the Schedules hereto relating to the Debtor or the Debtor's business or the Collateral including without limitation:
 - (1) any change in the name of the Debtor;
 - (2) any change in the place of business of the Debtor or, if the Debtor has more than one place of business, in the chief executive office of the Debtor; and
 - (3) any change in the location of the Collateral;
 - (ii) any condition or event of which the Debtor becomes aware which could cause or which, with the passage of time or notice or both, could constitute an Event of Default (as such term is hereinafter defined), and the action being taken or proposed to be taken with respect thereto; and
 - (iii) any change in the Vehicle Identification Number (as prescribed by the regulations made under the PPSA for use in registrations under the PPSA), model year, make and model of any motor vehicle (as such term is defined in the regulations made under the PPSA) at any time included in the Collateral which is held as equipment, including in circumstances where the Debtor ceased holding the same as inventory and began holding the same as equipment.
- (b) The Debtor shall keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance.
- (c) The Debtor shall insure and keep insured the Collateral against loss or damage by fire, theft and other insurable risks specified by the Secured Party on a replacement cost basis and obtain and maintain public liability insurance and insurance in respect of such other risks as the Secured Party may reasonably require from time to time, all in such amounts which may be specified by the Secured Party (acting reasonably). All such insurance shall contain provisions and be with insurers which are satisfactory to the Secured Party. The Debtor shall duly pay all premiums and other monies payable for maintaining such insurance and shall, at the request of the Secured Party, cause such insurance to be payable to the Secured Party as additional insured and first loss payee and to contain a standard mortgage clause providing for the Secured Party to be first mortgagee, all in a form satisfactory to the Secured Party. The Debtor hereby assigns to the Secured Party by way of security all such insurance and all proceeds arising therefrom. The Debtor shall deliver to the Secured Party, at the Secured Party's request, certified copies of each insurance policy, evidence of the payment of such premiums and other monies, and evidence of the assignment of such insurance to the Secured Party.

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- (d) The Debtor shall do, execute, acknowledge and deliver such financing statements and further assignments, transfers, documents, acts, matters and things as may be reasonably requested by the Secured Party of or with respect to the Collateral in order to give effect to this Security Agreement and to pay all costs for searches and filings in connection therewith; and, after the occurrence of an Event of Default (as hereinafter defined) under this Security Agreement, the Debtor hereby appoints the Secured Party or any officer or manager from time to time of the Secured Party the irrevocable attorney of the Debtor (with full power of substitution and delegation) to sign all documents and take such action as may be required to give effect to this provision.
- (e) The Debtor shall carry on and conduct the business of the Debtor in an efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Debtor's business as well as accurate and complete records concerning the Collateral, and mark any and all such records and the Collateral at the Secured Party's request so as to indicate the Security Interest and to deliver to the Secured Party from time to time promptly upon request:
 - (i) copies of any documents of title, instruments, chattel paper, securities and any other investment property constituting, representing or relating to the Collateral;
 - (ii) all annual and quarterly financial statements prepared by or for the Debtor regarding the Debtor's business;
 - (iii) all policies and certificates of insurance relating to the Collateral; and
 - (iv) such information concerning the Collateral, the Debtor and the Debtor's business and affairs as the Secured Party may reasonably request.
- (f) The Debtor shall notify the Secured Party prior to initiating any insolvency proceeding, the effect of which would be to stay the Secured Party or the Secured Party from enforcing security interests created by this Agreement, under the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada) or otherwise.
- (g) The Debtor shall pay all rents, taxes and assessments lawfully imposed upon the Collateral, or any part thereof, and upon the income and profits of the Debtor, when the same become payable.
- (h) The Debtor shall obtain, observe and perform all its obligations under leases, licences and agreements, preserve its rights, powers, licences, privileges, franchises and goodwill, and comply with all applicable laws, rules and regulations in a proper and efficient manner so as to preserve and protect the Collateral, the security interest created by this agreement and the business and undertaking of the Debtor.

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- (i) The Debtor shall prevent the Collateral from becoming an accession to any personal property not subject to this agreement, or becoming affixed to any real property.
- (j) The Debtor shall promptly notify the Creditor in writing of the details of:
 - (i) any amendment to its articles, including without limitation any amendment affecting a change in the Debtor's name or authorizing it to use a French version of its name;
 - (ii) any claim, litigation or proceedings before any court, administrative board or other tribunal which either does or could have a material adverse effect on the Collateral of the Debtor;
 - (iii) any claim, lien, attachment, execution or other process or encumbrance made or asserted against or with respect to the Collateral which either does or could have a material adverse effect on the security interest created by this agreement;
 - (iv) any material loss of or damage to the Collateral, whether or not such loss or damage is covered by insurance.

5. Covenants of the Debtor - Investment Property.

- (a) To enable the Secured Party to better perfect and protect the Security Interest in the investment property included in the Collateral, promptly upon request from time to time by the Secured Party, acting reasonably, the Debtor shall:
 - (i) deliver (or cause to be delivered) to the Secured Party, endorsed to the Secured Party or such nominee as it may direct and/or accompanied by such instruments of assignment and transfer in such form and substance as the Secured Party may reasonably request,
 - (A) any and all certificated securities included in or relating to the Collateral; and
 - (B) any instruments, letters of credit, documents of title and chattel paper included in or relating to the Collateral.
 - (ii) direct the issuer of any and all certificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the applicable security certificates in the name of the Secured Party or such nominee as it may direct;
 - (iii) direct the issuer of any and all uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the Secured Party or such nominee as it may direct as the registered owner of such uncertificated securities; and

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- (iv) direct the securities intermediary for any security entitlements or securities accounts included in or relating to the Collateral as the Secured Party may specify in its request to transfer any or all of the financial assets to which such security entitlements or securities accounts relate to such securities account or securities accounts as the Secured Party may specify such that the Secured Party shall become the entitlement holder with respect to such financial assets or the person entitled to exercise all rights with respect to such securities account.
- (b) Promptly upon request from time to time by the Secured Party, acting reasonably, the Debtor shall give its consent in writing to:
 - (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request, of a Control Agreement (as hereinafter defined) with the Secured Party in respect of such uncertificated securities, which consent may be incorporated into an agreement to which such issuer, the Secured Party and the Debtor are parties; and
 - (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral as the Secured Party may specify in its request, of a Control Agreement with the Secured Party in respect of such securities accounts or securities entitlement, which consent may be incorporated into an agreement to which such securities intermediary, the Secured Party and the Debtor are parties.
- (c) The Debtor covenants that it will not consent to, and represents and warrants to the Secured Party and the Secured Party that, other than pursuant to security documents benefitting the Secured Party or the Secured Party to which it is a party, it has not heretofore consented to:
 - (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral of a Control Agreement that remains in effect as of the date hereof in respect of such uncertificated securities with any person other than the Secured Party or such nominee or agent as they may direct; or
 - (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral of a Control Agreement that remains in effect as of the date hereof with respect to such securities accounts or security entitlements with any person other than the Secured Party or the Secured Party or such nominee or agent as they may direct.
- (d) Except for Collateral subject to security documents benefitting the Secured Party, the Debtor shall not enter into any agreement with any securities intermediary that

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governs any securities account included in or relating to any Collateral that specifies any such securities intermediary's jurisdiction to be a jurisdiction other than the Province of Ontario for the purposes of the STA or which is governed by the laws of a jurisdiction other than the Province of Ontario or consent to any amendment to any such agreement that would change such securities intermediary's jurisdiction to a jurisdiction other than the Province of Ontario for the purposes of the STA or its governing law to a jurisdiction other than the Province of Ontario unless it has given the Secured Party at least forty-five (45) days notice of any such agreement or amendment.

- (e) In the event that the Debtor shall hereafter acquire an interest in any partnership or limited liability company, it will use its best reasonable commercial efforts to cause such partnership or limited liability company to declare, pursuant to its constating documents, such interests to be "securities" for the purposes of the STA.
- (f) For the purposes of this Agreement, the term "**Control Agreement**" means:
 - (i) with respect to any uncertificated securities included in the Collateral, any agreement between the issuer of such uncertificated securities and another person whereby such issuer agrees to comply with instructions that are originated by such person in respect of such uncertificated securities, without the further consent of the Debtor; and
 - (ii) with respect to any securities accounts or security entitlements included in the Collateral, an agreement between the securities intermediary in respect of such securities accounts or security entitlements and another person to comply with any entitlement orders with respect to such securities accounts or security entitlements that are originated by such person, without the further consent of the Debtor.

6. **Rights of the Secured Party – Investment Property.**

- (a) The Secured Party shall have the right to have any uncertificated securities or certificated securities included in the Collateral registered in its name or in the name of its nominee; and for such purpose, the Debtor shall comply with Section 5(a) or 5(b) hereof, as applicable, upon the request of the Secured Party.
- (b) The Secured Party shall have the right to become or have its nominee become the entitlement holder with respect to any security entitlements or investment property included in the Collateral; and for such purpose the Debtor shall comply with Section 5(a) hereof upon the request of the Secured Party.
- (c) As the registered holder of any uncertificated securities or certificated securities or the entitlement holder with respect to any investment property included in the Collateral, the Secured Party shall be entitled but not bound or required to exercise any of the rights that any holder of such securities or such entitlement holder may at any time have. The Secured Party will not be responsible for any

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loss occasioned by its exercise of any such rights or by failure to exercise the same within the time limited for the exercise thereof.

7. **Verification of Collateral.** The Secured Party shall have the right at any time and from time to time to verify the existence and state of the Collateral in any manner the Secured Party may, acting reasonably, consider appropriate and the Debtor agrees to furnish all assistance and information and to perform all such acts as the Secured Party may reasonably request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Debtor.
8. **Collection of Accounts.** After the occurrence of an Event of Default (as hereinafter defined) under this Security Agreement, the Secured Party may notify all or any account debtors of the Security Interest and may also direct such account debtors to make all payments on accounts, chattel paper and instruments forming part of the Collateral to the Secured Party. The Debtor acknowledges that any payments on accounts, chattel paper and instruments forming part of the Collateral or other proceeds of the Collateral received by the Debtor from account debtors or other parties, whether before or after notification of this Security Interest to account debtors and whether before or after the occurrence of an Event of Default under this Security Agreement, shall be received and held by the Debtor in trust for the Secured Party and shall be turned over to the Secured Party upon request.
9. **Disposition of Amounts.** Subject to any applicable requirements of the PPSA and to the rights of the Secured Party or any Receiver (as hereinafter defined) under this Security Agreement or the PPSA or other provisions of law to make deductions in respect of costs, charges and expenses or to apply costs, charges and expenses as a first or prior charge on the proceeds of realization, collection or disposition of the Collateral, all amounts collected or received by the Secured Party or any Receiver pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied on account of the Indebtedness in such manner as the Secured Party deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Debtor, all without prejudice to the liability of the Debtor or the rights of the Secured Party or any Receiver hereunder, and any surplus shall be accounted for as required by law.
10. **Events of Default.** The Debtor shall be in default under this Security Agreement (an "Event of Default") upon the occurrence of any one of the following events:
 - (a) the occurrence of an event of default pursuant to the Notes;
 - (b) the failure of the Debtor to observe or perform any material covenant, undertaking or agreement contained herein and such failure continues for thirty (30) days after the Debtor shall have received written notice of same;

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- (c) if any representation or warranty of the Debtor contained herein or in any other agreement between the Debtor and the Secured Party proves to have been untrue at the time at which it was made or in respect of which it was made;
- (d) the Debtor failing to pay within three (3) days of the date due any amount owing by it to the Secured Party;
- (e) the Debtor committing an act of bankruptcy or becoming an insolvent person (as such terms are defined by the *Bankruptcy and Insolvency Act* (Canada)), a bankruptcy application for a bankruptcy order being filed by or against the Debtor, a bankruptcy order being made against the Debtor, any proceedings with respect to the Debtor being commenced under the *Companies' Creditors Arrangement Act* (Canada), or proceedings for a composition with or proposal to any of its creditors or for the winding up, liquidation or other dissolution of the Debtor being instituted by or against the Debtor under any federal or provincial law, which proceedings or matters are not dismissed, terminated or withdrawn within thirty (30) days after the commencement thereof;
- (f) a receiver or other custodian (interim or permanent) of the assets of the Debtor, or any part thereof, being appointed by private instrument or by court order which is not dismissed, terminated or withdrawn within thirty (30) days after the appointment thereof;
- (g) the Debtor ceasing or threatening to cease to carry on the Debtor's business or making or agreeing to make any sale in bulk of the Debtor's assets;
- (h) any execution, sequestration, extent or other process of any court becoming enforceable against the Debtor or its assets or any part thereof, or distress or analogous process being made against its assets or any part thereof;
- (i) any mortgage, charge, lien, security interest or other encumbrance affecting any real or personal property of the Debtor shall rank in priority to or *pari passu* to the Security Interest; or
- (j) the Secured Party reasonably considering that assets which form part of the Collateral are in jeopardy.

11. **Acceleration.** Upon the occurrence of an Event of Default under this Security Agreement which is continuing, the Secured Party, in its sole discretion, may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind. The provisions of this Security Agreement are not intended in any way to and shall not affect any rights of the Secured Party with respect to any Indebtedness which may now or hereafter be payable on demand.

12. Remedies.

- (a) Upon the occurrence of an Event of Default under this Security Agreement which is continuing and in accordance with applicable law, the Secured Party may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Secured Party or not, to be an interim receiver, receiver or receiver and manager (hereinafter called a "**Receiver**", which term when used herein shall include a receiver and manager) of the Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in replacement, and the Debtor hereby consents to such appointment. Any such Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Debtor and not the Secured Party, and the Secured Party shall not be in any way responsible for any misconduct, negligence, or nonfeasance on the part of any such Receiver, or the servants, agents or employees of such Receiver. The Secured Party may from time to time fix the Receiver's remuneration. Subject to the provisions of the instrument appointing him, any such Receiver shall have power to take possession of the Collateral, to preserve the Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Debtor and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of the Collateral (in its existing condition or after any repair, processing or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Receiver may seem reasonable including terms for deferred payment. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Debtor, enter upon, use and occupy all premises owned or occupied by the Debtor wherein the Collateral may be situate, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use the Collateral directly in carrying on the Debtor's business or as security for loans or advances or other credit to enable him to carry on the Debtor's business or otherwise, as such Receiver shall, in his discretion, determine. Except as may be otherwise directed by the Secured Party, all amounts received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Secured Party. Every such Receiver may, in the discretion of the Secured Party, be vested with all or any of the rights and powers of the Secured Party.
- (b) Upon an Event of Default which is continuing, the Secured Party may make application to a court of competent jurisdiction for the appointment of a Receiver.
- (c) Upon an Event of Default which is continuing, the Secured Party may, either directly or through its agents or nominees, exercise any or all of the powers and rights which could be available to a Receiver appointed pursuant to the foregoing subclause (a).
- (d) Upon an Event of Default which is continuing, the Secured Party may take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and give valid and binding receipts and discharges therefor and in respect thereof

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and, upon default or at any time thereafter, the Secured Party may sell, lease or otherwise dispose of the Collateral (in its existing condition or after any repair, processing, or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Secured Party may seem reasonable including terms for deferred payment.

- (e) In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Debtor and the Secured Party and in addition to any other rights the Secured Party or any Receiver may have at law or in equity, the Secured Party shall have, both before and after default, all rights and remedies of an agent under the PPSA and the Receiver shall have all rights and remedies of a secured party under and to the extent provided in the PPSA. Provided always, that the Secured Party or any Receiver shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, or otherwise dispose of the Collateral or to institute any proceedings for such purposes. Furthermore, neither the Secured Party nor any Receiver shall have any obligation to take any steps to preserve rights against other parties to any Security, Instrument or chattel paper whether the Collateral or proceeds and whether or not in the Secured Party's or the Receiver's possession and shall not be liable or accountable for failure to do so.
- (f) The Debtor acknowledges that the Secured Party or any Receiver may take possession of the Collateral wherever it may be located and by any method permitted by law and the Debtor agrees upon request from the Secured Party or any such Receiver to assemble and deliver possession of the Collateral at such place or places as directed.
- (g) The Debtor agrees to pay all costs, charges and expenses reasonably incurred by the Secured Party or any Receiver whether directly or for services rendered (including reasonable solicitor's and auditor's costs and other legal expenses and Receiver remuneration), in operating any accounts of the Debtor with the Secured Party, in discharging or satisfying any encumbrances, borrowings, taxes and other outgoings affecting the Collateral, in keeping in good standing any Encumbrances on the Collateral ranking in priority to any Security Interest created by this Security Agreement, in preparing or enforcing this Security Agreement, in taking custody of, holding, preserving, repairing, processing, preparing for sale, lease or other disposition and selling, leasing or otherwise disposing of the Collateral, in carrying on the business of the Debtor and in enforcing or collecting the Indebtedness; and the Debtor further agrees that all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by the Secured Party or any Receiver, as permitted hereby, shall be a first and prior charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.
- (h) The Secured Party will give the Debtor such notice or notices, if any, with respect to the disposition of the Collateral as may be required by the PPSA.

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- (i) The Receiver or the Secured Party shall have power to make any sale, lease or other disposition of the Collateral as contemplated above in the name and on behalf of the Debtor or otherwise and the Receiver or any officer or manager from time to time of the Secured Party is hereby appointed the irrevocable attorney of the Debtor (with full powers of substitution and delegation) for the purpose of making any such sale, lease or other disposition and of executing agreements or documents and taking such action required to complete the same.
- (j) All remedies of the Secured Party at law and hereunder shall be cumulative and not in the alternative.

13. Miscellaneous.

- (a) The Debtor hereby authorizes the Secured Party to file such financing statements and other documents and do such acts, matters and things from time to time (including completing and adding or supplementing schedules hereto identifying the Collateral or identifying the locations at which the Debtor's business is carried on and the Collateral and records relating thereto are situate) as the Secured Party may deem appropriate to perfect and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest and the Debtor hereby irrevocably constitutes and appoints any officer or manager from time to time of the Secured Party the true and lawful attorney of the Debtor, with full power of substitution and delegation, to do any of the foregoing in the name of the Debtor whenever and wherever it may be deemed necessary or expedient.
- (b) Without limiting any other right of the Secured Party, whenever the Indebtedness is immediately due and payable or the Secured Party has the right to declare the Indebtedness to be immediately due and payable (whether or not it has so declared), the Secured Party may, in its sole discretion, set off against the Indebtedness any and all amounts then owed to the Debtor by the Secured Party in any capacity, whether or not due, and the Secured Party shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on the Secured Party's records subsequent thereto.
- (c) Upon the Debtor's failure to perform any of its obligations hereunder, the Secured Party may, but shall not be obligated to, perform any or all of such obligations, and the Debtor shall pay to the Secured Party, forthwith upon written demand therefor, an amount equal to the expense incurred by the Secured Party in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate set out in the Agreement, without duplication, which amount and interest thereon shall be included in the Indebtedness secured hereby.
- (d) The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Debtor, debtors of the Debtor, sureties and others and with the Collateral and other security as the Secured Party

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may see fit without prejudice to the liability of the Debtor or the Secured Party's right to hold and realize the Security Interest. Furthermore, the Secured Party may demand, collect and sue on the Collateral in either the Debtor's or the Secured Party's name, at the Secured Party's option, and may endorse the Debtor's name on any and all cheques, commercial paper, and any other instruments pertaining to or constituting the Collateral.

- (e) No delay or omission by the Secured Party in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, the Secured Party may remedy any default by the Debtor hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Debtor. No remedy herein conferred upon or reserved to the Secured Party is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now existing or hereafter to exist at law, in equity or by statute or pursuant to any other agreement or instrument between the Debtor and the Secured Party that may be in effect from time to time.
- (f) The Debtor waives protest of any instrument constituting Collateral at any time held by the Secured Party on which the Debtor is in any way liable and notice of any other action taken by the Secured Party.
- (g) In any action brought by an assignee of any interest of the Secured Party in this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Debtor shall not assert against the assignee any set-off, claim or defence which the Debtor now has or hereafter may have against the Secured Party.
- (h) Except for any supplements or other schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written agreement executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.
- (i) Whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given if delivered to the party for whom it is intended at the principal address of such party set forth below or as changed pursuant hereto or if sent by prepaid registered mail addressed to the party for whom it is intended at the principal address of such party set forth below or as changed pursuant hereto:
 - (i) If to the Secured Party:

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Fax:
Attention:

- (ii) If to the Debtor, to the Debtor's address set out in the Notes or the respective subscription agreements therefor.

Any notice given by registered mail shall be deemed to have been received by the party to whom the same is addressed on the fifth (5th) Business Day (as hereinafter defined) following the date upon which such notice sent by registered mail has been deposited with the appropriate post office, postage and cost of registration prepaid; provided that any of the parties hereto may change the addressee designated to it from time to time by notice in writing to the other parties. In the event of an interruption in postal service, any notice shall be made by personal service or facsimile. Any notice given by personal service or facsimile shall be deemed to have been received by the party to whom it so delivered on the actual date of delivery or confirmation of facsimile receipt. For the purposes of this Security Agreement, "**Business Day**" means any day other than a Saturday or Sunday or any other day on which banks are closed for business in Toronto, Ontario.

- (j) This Security Agreement and the Security Interest created hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and is, and is intended to be a continuing Security Agreement and Security Interest.
- (k) This Security Agreement shall not merge in any subsequent security or be taken to be a substitute for any security of any nature whatsoever held by the Secured Party from the Debtor. It is further agreed that the taking of this Security Agreement shall not operate as a merger of the remedies of the Secured Party for payment, satisfaction or performance of the Indebtedness or of the remedies of the Secured Party under any other agreement and notwithstanding this Security Agreement and anything herein contained the said remedies shall remain available and be capable of enforcement against the Debtor and all other persons liable in respect thereof in the same manner and to the same extent as if this Security Agreement had not been made.
- (l) The headings used in this Security Agreement are for convenience only and are not to be considered as part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.
- (m) When the context so requires, the singular number shall be read as if the plural were expressed and vice versa and any reference to gender shall include the masculine, feminine, and neuter gender.

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- (n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.
- (o) Nothing herein contained shall in any way obligate the Secured Party to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness or to make any advance to or to provide any credit accommodation for the Debtor.
- (p) The Security Interest created hereby is intended to attach (i) to existing Collateral when this Security Agreement is signed by the Debtor and delivered to the Secured Party, and (ii) to Collateral subsequently acquired by the Debtor immediately upon the Debtor acquiring any rights in such Collateral. The Debtor and the Secured Party do not intend to postpone the attachment of any Security Interest created by this Security Agreement.
- (q) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein as the same may from time to time be in effect, including, where applicable, the PPSA. The Debtor and the Secured Party irrevocably consent and submit to the non-exclusive jurisdiction of the Ontario Superior Court of Justice and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Security Agreement (except that the Secured Party shall have the right to bring or respond to any action or proceeding against the Debtor or its respective property in the courts of any other jurisdiction which the Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against the Debtor or its respective property).
- (r) Time shall be of the essence of this Security Agreement.
- (s) This Security Agreement shall enure to the benefit of and be binding upon the Secured Party and the Debtor and their respective successors and assigns; provided the Debtor will not assign this Security Agreement without the Secured Party's prior written consent.
- (t) Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies herein contained operating in favour of the Secured Party, and which have been waived or varied by the Debtor herein, whether expressly or by implication, but which are by the provisions of the PPSA incapable of waiver or variance by the Debtor, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.

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- (u) The Debtor hereby acknowledges receipt of a copy of this Security Agreement.
- (v) This Security Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed by be an original and all of which taken together shall constitute one and the same agreement. Delivery by facsimile or by electronic transmission in portable document format (PDF) of an executed counterpart of this Security Agreement is as effective as delivery of an originally executed counterpart of this Security Agreement.
- (w) The parties hereby affirm and acknowledge that if there exists any inconsistency between the provisions of this Security Agreement and the provisions of the Notes, the provisions of the Notes shall, to the extent of such inconsistency, prevail.

IN WITNESS WHEREOF the Debtor has executed this Agreement.

BLUTIP POWER TECHNOLOGIES LTD.

Per: Peter H. Williams.
Name: Peter H. Williams.
Title: Chairman

IN WITNESS WHEREOF the Debtor has executed this Agreement.

BLUTIP POWER TECHNOLOGIES LTD.

Per: _____

Name:

Title:

The Secured Party hereby agrees with and acknowledges the terms of this General Security Agreement.

CCM Master Qualified Fund, Ltd.

Per:  _____

Name: Clint D. Coghill

Title: Director

SCHEDULE A
DEBTOR'S LOCATIONS

1. Location of Debtor's Place of Business:

6705 Millcreek Drive, Suite 4
Mississauga, Ontario L5N 5M4

2. Locations of Records relating to Collateral:

6705 Millcreek Drive, Suite 4
Mississauga, Ontario L5N 5M4

3. Locations of Collateral:

6705 Millcreek Drive, Suite 4
Mississauga, Ontario L5N 5M4

SCHEDULE B
PERMITTED ENCUMBRANCES


Interests granted to or reserved by Ricoh Canada Inc., as registered under the PPSA, file number 637221042, registration number 20070712 1738 1530 8679, in respect of one Ricoh Aficio MPC4500 Photocopier and related equipment, attachments and proceeds thereof.

General Security Agreement dated June 30, 2011 granted to Steven Collicutt, in trust, as collateral agent for and on behalf of the noteholders identified therein, if and so long as the security interest granted thereby and the debt in respect thereof is subordinated and postponed to the security interest created by this general security agreement and the notes identified herein.

Interests granted to or reserved by Royal Bank of Canada, as registered under the PPSA, file number 672457545, registration number 20110825 1452 1530 6125, in respect of a letter of credit in an amount up to \$25,000.

TAB E

THIS IS EXHIBIT "E" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

RUN NUMBER : 044
RUN DATE : 2012/02/13
ID : 20120213132913.66

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(14231)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

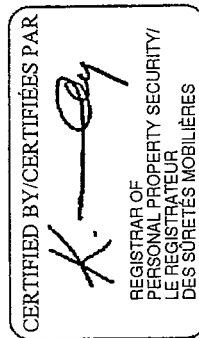
SEARCH CONDUCTED ON : HY-DRIVE TECHNOLOGIES LTD.

FILE CURRENCY : 12FEB 2012

ENQUIRY NUMBER 20120213132913.66 CONTAINS 1 PAGE(S), 0 FAMILY(IES).

NO REGISTRATIONS ARE REPORTED IN THIS ENQUIRY RESPONSE.

OSLER HOSKIN & HARCOURT LLP - BETTY
1 FIRST CANADIAN PLACE P.O. BOX 50
TORONTO ON M5X 1B8



(cert# 11/2008)



Ontario 95

RUN NUMBER : 044
RUN DATE : 2012/02/13
ID : 20120213132805.11

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(14227)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

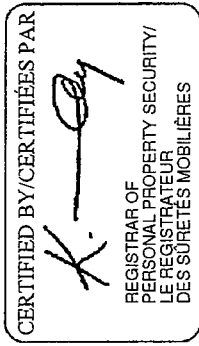
SEARCH CONDUCTED ON : BLUTIP POWER TECHNOLOGIES LTD.

FILE CURRENCY : 12FEB 2012

ENQUIRY NUMBER 20120213132805.11 CONTAINS 4 PAGE(S), 2 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

OSLER HOSKIN & HARCOURT LLP - BETTY
1 FIRST CANADIAN PLACE P.O. BOX 50
TORONTO ON M5X 1B8



CONTINUED... 2

RUN NUMBER : 044
RUN DATE : 2012/02/13
ID : 20120213132805.11

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 2
(14228)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BLUTIP POWER TECHNOLOGIES LTD.
FILE CURRENCY : 12FEB 2012

FORM 10 - FINANCIAL STATEMENT / CLAIM FOR LIES

FILE NUMBER
673851519

CATION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 1 2011024 1634 1590 9858 P PPSA 5

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

DEBTOR BLUTIP POWER TECHNOLOGIES LTD.
NAME BUSINESS NAME

ADDRESS 6705 MILLCREEK DRIVE, SUITE 4 MISSISSAUGA

ONTARIO CORPORATION NO. ON L5N 5M4

DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

DEBTOR BUSINESS NAME
NAME ADDRESS

ONTARIO CORPORATION NO.

SECURED PARTY / CCM MASTER QUALIFIED FUND, LTD.

DEBTOR DMS HOUSE, 20 GENESIS CLOSE

GEORGETOWN, GRAND CAYM KY1-1208

COLLATERAL CLASSIFICATION

CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO. PPSA
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

YEAR MAKE MODEL V.I.N.

11 MOTOR
12 VEHICLE

13 GENERAL THE FULL ADDRESS OF THE SECURED PARTY IS DMS HOUSE, 20 GENESIS CLOSE,
14 COLLATERAL GEORGETOWN, GRAND CAYMAN, KY1-1208, CAYMAN ISLANDS
15 DESCRIPTION

16 REGISTERING OSLER, HOSKIN & HARCOURT LLP (M. MATHESON/L. GIDARI/1132599)

17 ADDRESS 1 FIRST CANADIAN PLACE PO BOX 50 TORONTO M5X 1B8

FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY

CONTINUED... 3

CERTIFIED BY/CERTIFIÉES PAR
K. [Signature]
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SÛRETÉS MOBILIÈRES

(ojlfr 11/2008)

RUN NUMBER : 044
RUN DATE : 2012/02/13
ID : 20120213132805.11

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 3
(14229)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BLUTIP POWER TECHNOLOGIES LTD.
FILE CURRENCY : 12FEB 2012

FORM IS FINANCING STATEMENT / CHAIN FOR LIEN

00
FILE NUMBER
672457545

01
CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
01 001 20110825 1452 1530 6125 P PPSA 5

02
DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03
BUSINESS NAME BLUTIP POWER TECHNOLOGIES LTD.

04
ADDRESS UNIT 4, 6705 MILLCREEK DRIVE MISSISSAUGA ON L5N 5M4

05
DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06
BUSINESS NAME

07
ADDRESS

08
SECURED PARTY ROYAL BANK OF CANADA

09
ADDRESS 180 WELLINGTON ST W BSC 3RD FL TORONTO ON M5J 1J1

10
COLLATERAL CLASSIFICATION

CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MAJORITY DATE
X X

11
YEAR MAKE MODEL V.I.N.

12
MOTOR VEHICLE

13
GENERAL

14
COLLATERAL

15
DESCRIPTION

16
REGISTERING CANADIAN SECURITIES REGISTRATION SYSTEMS

17
ADDRESS 4126 NORLAND AVENUE BURNABY BC V5G 3S8

FOR FURTHER INFORMATION CONTACT THE SECURED PARTY

CONTINUED...

4

CERTIFIED BY/CERTIFIÉES PAR
K. [Signature]
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTREUR
DES SÛRETÉS MOBILIÈRES

(c) 11r 11/2008

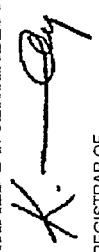


TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : BLUTIP POWER TECHNOLOGIES LTD.
FILE CURRENCY : 12FEB 2012

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

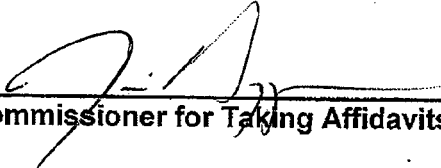
FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
673851519	20111024 1634 1590 9858		
672457545	20110825 1452 1530 6125		

2 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.

CERTIFIED BY/CERTIFIÉES PAR

REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES
(crt)2 11/2008

TAB F

THIS IS EXHIBIT "F" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

blutip Power Announces Leadership Transition**(TSXV: BPR)**

MISSISSAUGA, ON, Feb. 2, 2012 /CNW/ - The Board of Directors of blutip Power Technologies Ltd. ("blutip Power" or the "Company") today announced that Peter Williams will assume the role of Executive Chairman of the Company effective immediately.

Additionally, the Company announces that Dean Dussias has resigned his position as Director, Interim CEO, COO & CFO effective immediately. The Board thanks Mr. Dussias for his efforts during the Company's transition and wish him continued success in his future endeavours.

The Company has begun a search for a CEO candidate and will also seek to fill a role within the Board of Directors in conjunction with the Annual General Meeting of Shareholders.

About blutip Power

blutip Power is a technology company headquartered in Mississauga, Ontario, Canada. The Company has invested in the research and development of hydrogen and control technology resulting in a proprietary, patented and patent-pending hydrogen generating system ("HGS®") and advancement in multi-fuel universal combustion controls. blutip Power's Hy-Drive HGS enriches the fuel-air charge of an internal combustion engine with hydrogen produced through electrolysis and uses its proprietary software controls to improve combustion of the fuel-air mixture. The result is improved fuel economy and reduced opacity (particulates).

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

%SEDAR: 00016984E

For further information:

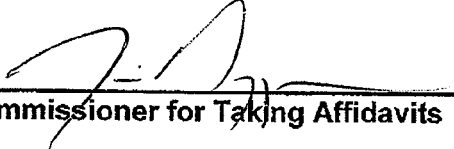
Peter Williams
Chairman
Tel: (905) 542-3024 ext. 234
Email: pwilliams@blutipower.com

CO: blutip Power Technologies Ltd.

CNW 16:10e 02-FEB-12

TAB G

THIS IS EXHIBIT "G" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27 , 2012.



Commissioner for Taking Affidavits

blutip Power Board of Directors**blutip Power Technologies Ltd. (TSXV: BPR)**

MISSISSAUGA, ON, Feb. 6, 2012 /CNW/ - Peter Williams and Richard Marceau, the sole remaining Directors of the Company, have tendered their resignation effective today, February 6, 2012, from the Board of Directors of blutip Power Technologies Ltd.

The senior management team remains in place and committed to Company.

About blutip Power

blutip Power is a technology company headquartered in Mississauga, Ontario, Canada. The Company has invested in the research and development of hydrogen and control technology resulting in a proprietary, patented and patent-pending hydrogen generating system ("HGS®") and advancement in multi-fuel universal combustion controls. blutip Power's Hy-Drive HGS enriches the fuel-air charge of an internal combustion engine with hydrogen produced through electrolysis and uses its proprietary software controls to improve combustion of the fuel-air mixture. The result is improved fuel economy and reduced opacity (particulates).

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

%SEDAR: 00016984E

For further information:

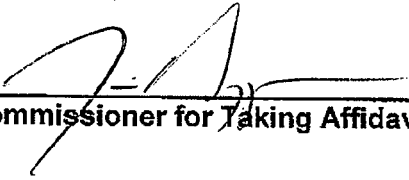
Shannon Brander
VP Administration & Corporate Secretary
Tel: (905) 542-3024 ext. 234
Email: sbrander@blutipower.com

CO: blutip Power Technologies Ltd.

CNW 19:00e 06-FEB-12

TAB H

THIS IS EXHIBIT "H" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

blutip Power - TSXV Notice**blutip Power Technologies Ltd. (TSXV: BPR)**

MISSISSAUGA, ON, Feb. 9, 2012 /CNW/ - blutip Power Technologies Ltd. ("blutip Power" or the "Company") today announced that subsequent to its press release issued on February 6, 2012 the TSX Venture Exchange ("TSXV") has put the Company on Notice for failing to maintain Exchange Listing Requirements, as such trading will remain halted and the listing suspended on February 21, 2012.

About blutip Power

blutip Power is a technology company headquartered in Mississauga, Ontario, Canada. The Company has invested in the research and development of hydrogen and control technology resulting in a proprietary, patented and patent-pending hydrogen generating system ("HGS®") and advancement in multi-fuel universal combustion controls. blutip Power's Hy-Drive HGS enriches the fuel-air charge of an internal combustion engine with hydrogen produced through electrolysis and uses its proprietary software controls to improve combustion of the fuel-air mixture. The result is improved fuel economy and reduced opacity (particulates).

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange Inc.) accepts responsibility for the adequacy or accuracy of this release.

%SEDAR: 00016984E

For further information:


Shannon Brander
VP Administration & Corporate Secretary
Tel: (905) 542-3024 ext. 234
Email: sbrander@blutipower.com

CO: blutip Power Technologies Ltd.

CNW 16:24e 09-FEB-12

TAB I

THIS IS EXHIBIT "I" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Court File No.
CV-12-9162-00CL

THE HONOURABLE *Mr.*
JUSTICE *NEUBOURG*

)
)
)
FRIDAY, THE 17TH DAY
OF FEBRUARY, 2012.

BETWEEN:

JOHN O'BIRECK

Applicant

- and -

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

Application Under Sections 106, 107, and 248 of the *Ontario Business Corporations Act*

ORDER

248 205
20
205
THIS APPLICATION for an Order pursuant to sections 106, 107, and 248 of the Ontario *Business Corporations Act*, R.S.O. 1990, appointing interim directors of the Blutip Power Technologies Ltd., and requiring a meeting of the shareholders of the company to elect a permanent board of directors be held no later than April 18, 2012, pursuant to section 106 of the OBCA was heard this day at 330 University Avenue, Toronto, Ontario. On reading the affidavit of John O'Bireck sworn February 16, 2012, and on hearing submissions of counsel for the applicant,

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

-2-

✓ David Champion
205

2. **THIS COURT ORDERS** that Robert Lipic, Peter Williams, and Mark Morelli are hereby appointed as interim directors of Blutip Power Technologies Ltd., effective immediately.

3. **THIS COURT ORDERS** that a meeting of the shareholders of Blutip Power Technologies Ltd. shall be scheduled by the interim directors to be held prior to April 30, 2012.

_____ *James J.*

ENTERED AT / INSCRIT A TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

FEB 17 2012

MB

O'BIRECK
Applicant

v.

Court File No.
BLUTIP POWER TECHNOLOGIES LTD.
Respondent

**ONTARIO SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

ORDER

GOWLING LAFLEUR HENDERSON LLP
Barristers & Solicitors
1 First Canadian Place,
100 King Street West, Suite 1600
Toronto ON M5X 1G5

Tel: 416-862-7525
Fax: 416-862-7661

Robert L. Armstrong (#20836H)

Tel: 416-862-3594
Fax: 416-862-7661

robert.armstrong@gowlings.com

Nicholas Kluge (#44159T)

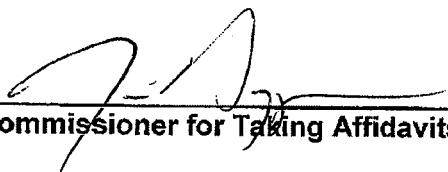
Tel: 416-369-4610
Fax: 416-862-7661

nicholas.kluge@gowlings.com

Lawyers for the Applicant

TAB J

THIS IS EXHIBIT "J" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

Osler, Hoskin & Harcourt LLP
 Box 50, 1 First Canadian Place
 Toronto, Ontario, Canada M5X 1B8
 416.362.2111 MAIN
 416.862.6666 FACSIMILE

OSLER

Toronto

Montréal

Calgary

Ottawa

New York

February 27, 2012

Andrea Lockhart
 Direct Dial: 416.862.6829
 ALockhart@osler.com
 Our Matter Number: 1135052

SENT BY PERSONAL DELIVERY AND E-MAIL

Blutip Power Technologies Ltd.
 6705 Millcreek Drive, Suite 4
 Mississauga, ON L5N 5M4

Dear Sirs/Mesdames:

Indebtedness of Blutip Power Technologies Ltd. (the "Debtor") to CCM Master Qualified Fund, Ltd. ("Lender")

We are solicitors for the Lender connection with the above-noted matter.

The Debtor is indebted to the Lender pursuant to the terms of: (i) a convertible senior secured promissory note issued by the Debtor to the Lender on October 21, 2011 in the principal amount of Cdn\$2,600,000; and (ii) a convertible senior secured promissory note issued by the Debtor to the Lender on December 29, 2011 in the principal amount of Cdn\$800,000 (collectively, the "**Promissory Notes**").

As security for the Promissory Notes, the Lender holds comprehensive security from the Debtor including, but not limited to that set out at Schedule "A" attached hereto (the "**Security**").

The Debtor has committed one or more Events of Default under the Promissory Notes, including, without limitation, the following:

- (a) The Debtor has become generally unable to pay its debts as they become due, as evidenced by, among other things, the summaries of the Debtor's cash position as provided by the Debtor to the Lender by e-mail on February 21, 2012. This constitutes an Event of Default under Section 9(h)(i) of the Promissory Notes.
- (b) Pursuant to press releases dated February 2, 2012 and February 6, 2012, the Debtor announced that all of its directors have resigned. This constitutes a material adverse change in the business, property, prospects, operation or condition of the Debtor, and accordingly, an Event of Default under Section 9(f) of the Promissory Notes.
- (c) Despite an Order of Justice Newbould of the Ontario Superior Court of Justice (Commercial List) dated February 17, 2012 appointing an interim board of directors, each member of such interim board has resigned. This

OSLER

Page 2

also constitutes a material adverse change in the business, property, prospects, operation or condition of the Debtor, and accordingly, an Event of Default under Section 9(f) of the Promissory Notes.

- (a) Pursuant to a press release dated February 9, 2012, the Debtor announced that the TSX Venture Exchange (the "TSXV") has put the Debtor on Notice for failing to maintain Exchange Listing Requirements (the "Deficiency"), and that trading will remain halted and its listing suspended on February 21, 2012. Pursuant to a letter from the TSXV to the Debtor dated February 23, 2012, the TSXV notified the Debtor that trading in the Debtor's securities was suspended and that the Debtor would be re-classified as a Tier-2 company should it fail to rectify the Deficiency and/or the company's securities remain suspended after 10 business days. This also constitutes a material adverse change in the business, property, prospects, operation or condition of the Debtor, and accordingly, an Event of Default under Section 9(f) of the Promissory Notes.

Pursuant to the terms of the Promissory Notes, upon the occurrence of an Event of Default, the Lender may require the Debtor to immediately pay any or all amounts owing to the Lender under the Promissory Notes and may exercise any and all rights and remedies available to the Lender pursuant to the Security, at law or in equity.

As of February 27, 2012, the Debtor was indebted to the Lender in the aggregate principal amount of CAD\$3,400,000.00 pursuant to the Promissory Notes, together with fees, costs and other allowable charges accrued to date (collectively, the "Indebtedness").

Accordingly, on behalf of the Lender, we hereby demand payment of the Indebtedness, together with fees, costs and other allowable charges in respect of the Promissory Notes and the Security accruing up to the date hereof until paid in full.

If we do not receive a certified cheque, money order or bank draft payable to CCM Master Qualified Fund, Ltd. for the total amount of the Indebtedness plus accrued and accruing fees, costs and other allowable charges to the date of payment within ten (10) days of the date of this demand at our office address set out above, the Lender will take such further action, remedy or proceeding available to it under the Promissory Notes and at law, equity or otherwise.

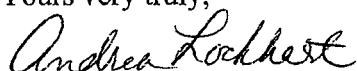
However, if prior to such date, circumstances require that the Lender take steps to protect, preserve or recover any or all of its Security, the Lender reserves the right to do so without further notice.

OSLER

Page 3

Concurrently with the delivery of this Demand Notice, we are delivering a Notice of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act* (Canada) together with a form of Acknowledgment and Consent which you may choose to execute and return to the undersigned.

Yours very truly,



Andrea Lockhart

Associate

AAL:

c: Marc Wasserman, *Osler, Hoskin & Harcourt LLP*
Jim Schuler, *Coghill Capital Management LLC*

OSLER

SCHEDULE "A"

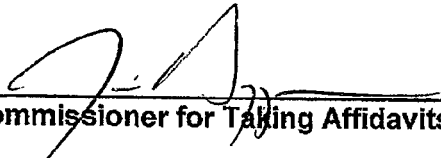
Security

Any and all security held by the Lender in respect of the Debtor, which includes, but is not limited to, the following:

1. General Security Agreement between the Debtor and the Lender made as of October 21, 2011.

TAB K

THIS IS EXHIBIT "K" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

NOTICE OF INTENTION TO ENFORCE A SECURITY
(Rule 124)

TO: **Blutip Power Technologies Ltd.** (the "Debtor"), an insolvent person

TAKE NOTICE THAT:

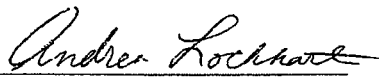
1. **CCM Master Qualified Fund, Ltd.** (the "Lender"), a secured creditor, intends to enforce the Lender's security on the insolvent person's property described below:

All of the Debtor's present and after-acquired personal property including, without limitation, the property described in Schedule "A".

2. The security that is to be enforced is in the form of a general security agreement between the Debtor and the Lender dated as of October 21, 2011 (the "Security").
3. The total amount of indebtedness secured by the Security is CAD\$3,400,000.00 plus accrued and accruing legal costs and all other allowable charges in respect of the Security.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

DATED at Toronto this 27th day of February, 2012.

CCM Master Qualified Fund, Ltd.
by their solicitors,
OSLER, HOSKIN & HARCOURT LLP

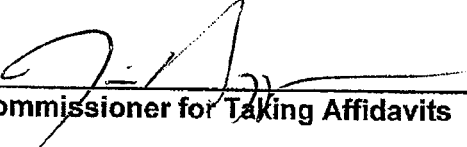
per: 
Andrea M. Lockhart

SCHEDULE "A"

- (a) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured including letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by Debtor ("**Debts**");
- (b) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
- (c) all contractual rights and insurance claims;
- (d) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation confidential information, trade-names, goodwill, copyrights, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing;
- (e) subject to the terms of the Security, all leases now or hereafter acquired by the Debtor as tenant (whether oral or written) or any agreement therefore, together with all of the Debtor's erections, improvements and fixtures situate thereupon; and
- (f) all proceeds of any of the foregoing.

TAB L

THIS IS EXHIBIT "L" REFERRED TO IN THE
AFFIDAVIT OF JAMES SCHULER SWORN
ON FEBRUARY 27, 2012.



Commissioner for Taking Affidavits

TERM SHEET

[DATE]

Duff & Phelps Canada Restructuring Inc.,
in its capacity as Receiver of Blutip Power Technologies Ltd.
200 King Street West
Suite 1002
Toronto, ON M5H 3T4

Attention: David Sieradzki

CCM Master Qualified Fund, Ltd. (the "Lender") intends to make an application before the Ontario Superior Court of Justice (Commercial List) (the "Court") to seek the appointment of Duff & Phelps Canada Restructuring Inc. ("Duff & Phelps") as receiver over the assets, property and undertaking (collectively, the "Assets") of Blutip Power Technologies Ltd. (the "Company") pursuant to the terms of an order of the Court, substantially in the form of that annexed hereto as Schedule "A". Once Duff & Phelps is appointed as receiver (Duff & Phelps in such capacity, the "Receiver") the Receiver will require funding to pay certain costs and expenses incurred by the Company and the Receiver. The Lender is pleased to make the following credit facility (the "Credit Facility") available to Duff & Phelps, once it is appointed as Receiver, on and subject to the following terms and conditions:

AMOUNT: CDN\$400,000.

PURPOSE: To fund the powers and duties conferred upon the Receiver by the Order (as hereinafter defined), including managing, operating, and carrying on the business of the Company, and paying the reasonable fees and expenses of the Receiver and its legal counsel.

USE OF PROCEEDS: Proceeds of the Credit Facility will be used by the Receiver to finance general working capital needs and for general operating purposes of the Company deemed commercially reasonable by the Receiver during the receivership, including without limitation, the professional fees and costs of the Receiver and its counsel. For greater certainty, the Advances (as hereinafter defined) shall not be used by the Receiver or the Company to make payments to creditors, including any government authorities or agencies in respect of amounts due or accruing due to such creditors prior to the date of the Receivership Order, unless permitted by the Receivership Order or a subsequent order of the Court.

INTEREST RATE: 5% above the commercial lending rate of the Bank of Canada, calculated and compounded monthly not in advance on the last day of each month, both before and after maturity and default.

AVAILABILITY Advances under the Credit Facility ("Advances") shall be made to the Receiver in Canadian dollars only and by way of receiver's certificates ("Receiver's Certificates"), substantially in the form of the certificate attached as Schedule "A" to the Order. The Receiver shall not permit the sum of the aggregate principal amount of the Canadian Dollar value of all outstanding Advances under the Credit Facility to, at any time, exceed CDN\$400,000.

MATURITY DATE: The Credit Facility shall be repayable on April 30, 2012 or the day on which an Event of Default occurs, unless otherwise extended by written agreement of the Receiver and the Lender.

NO LIABILITY: Duff & Phelps Canada Restructuring Inc. shall not have any personal liability to repay any principal amount or any interest, fee or other amount owing hereunder and the Lender's recourse with respect thereto shall be limited to the Assets and any proceeds thereof.

CONDITIONS PRECEDENT: The Lender shall not be obliged to make any Advance under the Credit Facility unless the following conditions precedent have been satisfied or waived: (i) the Order has been issued by the Court; (ii) the Receiver has executed and returned a copy of this Term Sheet; (iii) the Receiver has delivered a Receiver's Certificate to the Lender by no later than 9:00 a.m. on the day that an Advance is to be made; and (iv) no Event of Default shall have occurred (collectively, the "Conditions Precedent").

SECURITY: The Receiver's obligations under this Credit Facility shall be secured by the Receiver's Borrowing Charge as provided for in the Order and the Receiver's Certificates.

EVENTS OF DEFAULT The occurrence of any one or more of the following events shall constitute an "**Event of Default**" under this Term Sheet:

- (a) any termination of the stay of proceedings under the Order;
- (b) failure by the Receiver to pay any principal amount outstanding hereunder when the same shall become due and payable hereunder;
- (c) any termination of the appointment of the Receiver;
- (d) a final order is entered whereby the Order is reversed, stayed, modified or amended without the express written consent of the Lender;

- (e) failure by the Receiver to pay any interest on any Advances made under the Credit Facility, any fees payable hereunder or any other amounts owing under the Facility when the same shall become due and payable; or
- (f) if a sales process for the business of the Company and the Assets is not commenced within 2 weeks of the date of the Order, which sales process shall be in form and substance satisfactory to the Lender in its sole discretion.

REMEDIES:

Upon the occurrence of an Event of Default and at any time thereafter while an Event of Default is continuing, the Lender may declare, by giving notice to the Receiver, that the Credit Facility is terminated and cancelled and declare the Advances made to be immediately due and payable (whereupon the same shall become so payable, together with accrued interest thereon and any other sums then owed by the Receiver hereunder).

RECEIVER'S FEES: In addition to any amounts advanced under the Credit Facility and if required, the Lender agrees to pay the reasonable fees and expenses of the Receiver and those of its legal counsel, incurred at the standard rates and charges of the Receiver and its counsel in connection with their performance and duties under the Order and further orders of the Court made in the receivership proceedings of the Company.

GOVERNING LAW: This Term Sheet and each of the documents contemplated herein shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

COUNTERPARTS: This Term Sheet may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures provided by facsimile machine shall be valid and binding.

NOTICES: Any notice or other communication to be delivered hereunder must be in writing and may, subject as hereinafter provided, be made or given by personal delivery, ordinary mail or by facsimile or email addressed to the respective parties as follows:

If to the Lender:

c/o Coghill Capital Management, LLC
One North Wacker Drive, Suite 4350
Chicago, IL 60606

Attention: James Schuler
Fax: (312)324-2001

Email: jschuler@coghillcapital.com
with a copy to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place, Suite 6100
Toronto, Ontario M5X 1B8

Attention: Marc Wasserman
Fax: (416) 862-6666
Email: mwasserman@osler.com

If to the Receiver

Duff & Phelps Canada Restructuring Inc.
200 King Street West
Suite 1002
Toronto, Ontario M5H 3T4

Attention: David Sieradzki
Fax: (647) 497-9470
Email: david.sieradzki@duffandphelps.com

with a copy to:

Blake Cassels & Graydon LLP
199 Bay Street
Suite 4000, Commerce Court West
Toronto, ON M5L 1A9

Attention: Linc Rogers
Fax: (416) 863-2653
Email: linc.rogers@blakes.com

or to such other address as any party may from time to time notify the others in accordance with this Term Sheet. Any such communication so given or made shall be deemed to have been given or made and to have been received on the day of delivery if delivered, or on the day of faxing or sending by other means of recorded electronic communication, provided that such day in either event is a business day and the communication is so delivered, faxed or sent before 5:00 p.m. (Toronto time) on such day. Otherwise, such communication shall be deemed to have been given and made and to have been received on the next following Business Day.

[Remainder of Page Intentionally Left Blank]

The Lender's commitment to provide the Credit Facility on the terms set out herein will remain binding on the Lender and open for acceptance by the Receiver until 5:00 p.m. (Toronto time) on February 29, 2012. If the above terms and conditions are acceptable to you, please execute and return a copy of this Term Sheet by email no later than 5:00 p.m. (Toronto time) on February 29, 2012.

**COGHILL CAPITAL MANAGEMENT, LLC in its
capacity as Investment Manager of CCM MASTER
QUALIFIED FUND, LTD.**

By: _____
Name:
Title:

We acknowledge and accept the within terms and conditions this ____ day of February, 2012.

**DUFF & PHELPS CANADA RESTRUCTURING
INC., in its capacity as Receiver of Blutip Power
Technologies Ltd., without personal or corporate
liability**

By: _____
Name:
Title:

SCHEDULE "A"
FORM OF ORDER

TAB 3

November 23, 2011
s.243(1) BIA (National Receiver) and s. 101 CJA (Ontario) Receiver
Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE _____) DAY TUESDAY, THE
28th DAY)
JUSTICE _____) OF
_____ FEBRUARY, 20_____ 2012

PLAINTIFF[†]

Plaintiff

CCM MASTER QUALIFIED FUND, LTD.

Applicant

- and -

DEFENDANT

Defendant

BLUTIP POWER TECHNOLOGIES LTD.

Respondent

APPOINTMENT ORDER
(appointing Receiver)

[†] The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application. This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.

THIS MOTIONAPPLICATION made by the Plaintiff² Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and ~~section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA")~~ appointing ~~[RECEIVER'S NAME]~~ appointing Duff & Phelps Canada Restructuring Inc. as receiver ~~[and manager]~~ (in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of ~~[DEBTOR'S NAME]~~ Blutip Power Technologies Ltd. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~ James Schuler sworn ~~[DATE]~~ February [*27], 2012 and the Exhibits thereto ~~(the "Schuler Affidavit")~~, and on hearing the submissions of counsel for ~~[NAMES]~~, ~~no one~~ the Applicant and the proposed Receiver, no other parties appearing ~~for [NAME]~~ although duly served as appears from the affidavit of service of ~~[NAME]~~ sworn **[DATE]** and on reading the consent of ~~[RECEIVER'S NAME]~~ Duff & Phelps to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion is hereby abridged and validated³ so that this motion is properly returnable today and hereby dispenses with further service thereof.

² Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".

³ If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

APPOINTMENT

2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA ~~and section 101 of the CJA~~, [RECEIVER'S NAME], Duff & Phelps is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

RECEIVER'S POWERS

3. **THIS COURT ORDERS** that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise

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of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings.⁴ The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

⁴ This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.

(k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

(i) without the approval of this Court in respect of any transaction not exceeding \$_____,25,000, provided that the aggregate consideration for all such transactions does not exceed \$_____,150,000; and

(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [or section 31 of the Ontario *Mortgages Act*, as the case may be,]⁵ shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply;

(l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;

(m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;

(n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;

(o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and

⁵ If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.

any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. **THIS COURT ORDERS** that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. **THIS COURT ORDERS** that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, ~~but except for (i) any validly perfected purchase money security interests and (ii) any statutory encumbrance existing as at the date of this Order in favour of any Person which is a "secured creditor" as defined in the BIA in respect of any amounts that are subject to a super-priority claim under the BIA, and subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.~~⁶

18. **THIS COURT ORDERS** that, at the request of the Applicant, any other party in interest or the Court, the Receiver and its legal counsel shall pass ~~its~~their accounts ~~from time to~~

⁶ Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".

time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. **THIS COURT ORDERS** that ~~prior to the passing of its accounts,~~ the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against ~~its~~their remuneration and disbursements ~~when and as approved by this Court.~~

FUNDING OF THE RECEIVERSHIP

20. **THIS COURT ORDERS** that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, including without limitation pursuant to the Term Sheet attached as Exhibit "L" to the Schuler Affidavit, provided that the outstanding principal amount does not exceed \$ 400,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to validly perfected purchase money security interests, any statutory encumbrance existing as at the date of this Order in favour of any Person which is a "secured creditor" as defined in the BIA in respect of any amounts that are subject to a super-priority claim under the BIA, the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. **THIS COURT ORDERS** that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

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22. **THIS COURT ORDERS** that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

23. **THIS COURT ORDERS** that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

SERVICE AND NOTICE

24. **THIS COURT ORDERS** that the Receiver be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

25. **THIS COURT ORDERS** that the Plaintiff Applicant, the Receiver, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Receiver may post a copy of any or all such materials on its website at [INSERT WEBSITE ADDRESS]; http://www.duffandphelps.com/services/investment_banking/Pages/Restructuring_Cases.aspx.

GENERAL

26. **THIS COURT ORDERS** that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

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27. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

28. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

29. **THIS COURT ORDERS** that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

30. **THIS COURT ORDERS** that the PlaintiffApplicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the PlaintiffApplicant's security or, if not so provided by the PlaintiffApplicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

31. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

32. **THIS COURT ORDERS** that notwithstanding the immediately preceding paragraph, any motion to vary or amend the Receiver's Charge or the Receiver's Borrowings Charge must be brought and be returnable no later than March 20, 2012 and on not less than four (4) days' notice to the Receiver, the Applicant and any other party or parties likely to be affected

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by the order sought. The Receiver and any party which advances funds to the Receiver pursuant to paragraph 20 of this Order shall be entitled to rely on the priority granted to the Receiver's Charge and the Receiver's Borrowings Charge (as applicable) up to and including the day on which this Order is varied or modified.

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SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. **THIS IS TO CERTIFY** that ~~[RECEIVER'S NAME]~~ Duff & Phelps Canada Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~ Blutip Power Technologies Ltd. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the ____ day of _____, 20__ (the "**Order**") made in an action having Court file number ____-CL-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

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4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at ~~Toronto, Ontario~~ Chicago, Illinois.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

~~[RECEIVER'S NAME]~~ **DUFF & PHELPS**
CANADA RESTRUCTURING INC., solely in
its capacity as Receiver of the Property, and
not in its personal capacity

Per: _____

Name: _____

Title: _____

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CCM MASTER QUALIFIED FUND, LTD. and BLUTIP POWER TECHNOLOGIES LTD.

Court File No.:

Applicant

Respondent

ONTARIO

SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding commenced at Toronto

APPOINTMENT ORDER

OSLER, HOSKIN & HARCOURT LLP
P.O. Box 50, 1 First Canadian Place
100 King Street West
Toronto, Canada M5X 1B8

Alexander F. Cobb (LSUC#45363F)
(416) 862-5964

Marc S. Wasserman (LSUC#44066MD)
(416) 862-4908

Andrea M. Lockhart (LSUC#55444K)
(416) 862-6829
(416) 862-6666

Lawyers for the Applicant

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Applicant

Respondent

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)
Proceeding commenced at Toronto

APPLICATION RECORD

OSLER, HOSKIN & HARCOURT LLP
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