
Third Report of
Duff & Phelps Canada
Restructuring Inc.
as Receiver of
Precision-Tech Limited

September 28, 2012

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Court File No.: 12978300-CL

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

COMERICA BANK

Applicant

-and-

PRECISION-TECH LIMITED

Respondent

**THIRD REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.
AS RECEIVER OF
PRECISION-TECH LIMITED**

September 28, 2012

1.0 Introduction

This report is filed by Duff & Phelps Canada Restructuring Inc. ("D&P") in its capacity as receiver ("Receiver") of the property, assets and undertaking of Precision-Tech Limited (the "Company"). Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) ("Court") dated July 10, 2012 (the "Receivership Order"), D&P was appointed Receiver of the Company. A copy of the Receivership Order is attached as Appendix "A".

The primary purpose of these receivership proceedings has been to provide a stabilized environment in which the Company's business and assets could be marketed for sale pursuant to a Court approved sale process ("Sale Process") and to allow the Company's customers to resource, pursuant to accommodation agreements, the parts supplied to them by the Company. The Sale Process was approved pursuant to a Court order made on August 1, 2012 (the "Sale Process Order"), a copy of which is attached as Appendix "B".

1.1 Purposes of this Report

The purposes of this report ("Report") are to:

- a) Provide background information about the Company and these receivership proceedings;
- b) Summarize the status of the Company's business, including accommodation agreements between the Company and each of its three major customers, Meritor Vehicle Systems, LLC ("Meritor"), Allison Transmission, Inc. ("ATI") and Hoerbiger Fine Stamping Inc. ("Hoerbiger"), approved pursuant to orders of the Court dated July 10, 2012 and August 1, 2012 (collectively, the "Accommodation Agreements");
- c) Summarize the results of the Sale Process to date;
- d) Summarize a proposed transaction (the "Transaction") for the Company's machinery, equipment and inventory (the "Assets") with Corporate Assets Inc. (the "Liquidator"), whereby the Receiver is recommending that the Court approve a liquidation services agreement dated September 21, 2012 between the Receiver and the Liquidator (the "LSA");
- e) Provide an overview of the Receiver's activities since August 1, 2012, the date on which its activities were previously approved; and
- f) Recommend that this Honourable Court issue an order:
 - i. Approving the Transaction and the LSA;
 - ii. Approving the Receiver's execution of the LSA and authorizing the Receiver to execute all other ancillary documents and agreements required to complete the Transaction;
 - iii. Vesting the Company's right, title and interest in the Assets to the ultimate purchasers of the Assets (at auction or otherwise);
 - iv. Sealing the Confidential Appendices to this Report until further order of this Honourable Court; and
 - v. Approving the Receiver's activities, as described in this Report.

1.2 Currency

All references to dollar amounts are to Canadian dollars unless otherwise specified.

2.0 Background

The Company is a CNC machined component manufacturer supplying parts to original equipment manufacturers and Tier 1 and Tier 2 suppliers to the automotive and industrial sectors. The Company operates from two facilities in Cambridge, Ontario. The Company owns its main production facility, at which its head office is located, and leases a smaller production facility.

At the commencement of these proceedings, the Company employed approximately 80 individuals. The Company presently employs 17 individuals. The workforce is non-unionized and the Company does not maintain any pension plans.

3.0 Accommodation Agreements

Since the commencement of these proceedings, the Company has continued to produce component parts for each of its three major customers, being Meritor, ATI and Hoerbiger, pursuant to each of their respective Accommodation Agreements.

Meritor terminated its Accommodation Agreement effective September 22, 2012.

The Company is presently continuing to produce component parts for ATI and Hoerbiger. The ATI and Hoerbiger Accommodation Agreements expire on October 5, 2012. Neither customer requested an extension of the Initial Term (as defined in the Accommodation Agreements) by September 25, 2012, the date on which an extension request notice was to be delivered to the Receiver. Accordingly, the Company's operations are scheduled to be discontinued on October 5, 2012.

4.0 Sale Process

4.1 Overview

The Receiver commenced the Sale Process immediately following its approval by the Court. An overview of the Sale Process is as follows:

- a) The Sale Process was intended to attract offers from going-concern buyers and liquidators;
- b) Offers were due on September 5, 2012;
- c) The Receiver prepared an interest solicitation letter that was circulated to approximately 120 acquisition targets. Attached to the solicitation letter was a confidentiality agreement ("CA") that interested parties were required to sign in order to obtain a copy of the confidential information memorandum ("CIM") prepared by the Receiver. In total, 13 prospective going-concern purchasers and 20 liquidators executed the CA and received a CIM;

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- d) On August 10, 2012, an advertisement regarding this opportunity was placed in the national edition of *The Globe and Mail* newspaper;
 - e) The Receiver assembled information in an online data room. The data room contained financial, product and other relevant Company information. Over the course of the Sale Process, the Receiver facilitated due diligence by interested parties, including updating the data room with current financial and other information, as required;
 - f) Interested parties were also provided an opportunity to tour the Company's facilities. Tours were conducted by Company representatives, with a representative of the Receiver in attendance; and
 - g) The Receiver made available to potential purchasers a form of offer, being a draft asset purchase agreement for going-concern purchasers and a draft liquidation services agreement for liquidators. The Receiver recommended that parties submit offers in these forms or substantially in these forms.

4.2 Sale Process Results

A summary of the Sale Process results is as follows:

- 11 liquidation offers were submitted for the Assets; and
- Two parties submitted going-concern offers/expressions of interest to acquire certain parts of the business and operate them on a continuing basis. The expressions of interest were for nominal value and each was highly conditional, including securing business from a customer which had already confirmed that it had resourced.

A summary of the offers is provided in Confidential Appendix "1". The Receiver's rationale for its request that certain information be temporarily sealed is provided in Section 5.1 below.

5.0 Transaction

A summary of the Transaction is as follows:

Assets

- The LSA contemplates the sale of all machinery and equipment, residual inventory and the Company's other sundry assets. It does not include the Company's real property in Cambridge, Ontario, which is presently listed for sale with Colliers International.
- The Liquidator is to sell the Assets, on the Receiver's behalf, either by completing private sales or by conducting one or more auctions at the Company's premises.

Basis of Offer and Payment Mechanism

- The Purchaser's offer was submitted on a net minimum guarantee ("NMG") basis. For the reasons noted in Section 5.1, the Receiver is requesting that the value of the NMG and the other economic terms of the LSA be sealed, including the value of the "buyer's premium" that the Liquidator is entitled to charge and retain on the sale of Assets.
- A 15% deposit has been funded by the Liquidator.
- As detailed in the LSA, the Receiver will be entitled to share in the residual proceeds¹ over and above the NMG plus an amount to cover the Liquidator's reasonable expenses (the "Expense Amount").
- The NMG is to be paid in full two business days prior to the first auction (the "NMG Due Date"). The Liquidator has advised that it expects the auction to be conducted in mid to late November, 2012. Prior to the NMG Due Date, the proceeds of any private sales completed by the Liquidator are to be deposited into an account jointly controlled by the Receiver and the Liquidator. These monies are not to be distributed to CAI until the NMG has been paid in full to the Receiver.

Other

- Should the Receiver not be entitled to sell any of the Assets by reason of a valid claim to any such Assets, the NMG would be reduced by the amount of the NMG allocated to such excluded Assets. Attached as a schedule to the LSA is a listing of the Assets and the portion of the NMG allocated by the Liquidator to each of the Assets for the purposes of a reduction of the NMG in such circumstances.
- All Assets are to be removed from the Company's premises by the Removal Deadline (as defined in the LSA). The Liquidator's first day of access shall not be later than five business days following Court approval of the LSA.
- Within 10 business days of the Removal Deadline or the Final Sale Date (as defined in the LSA), the Liquidator will prepare a detailed accounting of all proceeds realized from the sale of Assets. The Receiver has the right to review the accounting statement, including supporting documentation.
- The occupancy period will begin upon Court approval of the LSA (should the Court grant such approval) and will terminate on the Removal Deadline (the "Occupancy Period"). During the Occupancy Period, the Receiver is responsible for occupancy expenses.

¹ Represents the gross proceeds less buyer's premium and taxes collected on the sale of Assets.

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- The Liquidator is responsible for the collection and remittance of any applicable taxes on the sale of Assets and has indemnified the Receiver for any taxes that may be assessed against the Receiver resulting therefrom.
 - The LSA contains standard provisions for the removal of Assets and the basis on which Regulated Materials (as defined in the LSA) are to be dealt with.
 - The LSA contemplates that sales to the ultimate purchasers of the Assets are to be on an “as is, where is” basis.
 - The LSA remains subject only to the approval of this Honourable Court.

A redacted version of the LSA is provided in Appendix “C” and an unredacted version of the LSA is filed as Confidential Appendix “2”.

5.1 The Need for Confidentiality

In the event that the Transaction does not close for any reason, another tender process is likely to be required. If the economic terms of the LSA are not sealed, future bidders would have access to the amount that was accepted by the Receiver. No party will be prejudiced if the information is sealed at this time. Accordingly, the Receiver believes the proposed sealing order is appropriate in the circumstances.

5.2 Recommendation

The Receiver respectfully recommends that this Honourable Court approve the execution of the LSA by the Receiver and authorize and direct it to complete the transaction contemplated by the LSA forthwith, including any ancillary documents necessary to give effect to the Transaction, for the following reasons:

- In the Receiver’s view, the Sale Process was conducted in accordance with the Sale Process Order;
- The Receiver believes the Sale Process was commercially reasonable;
- The Transaction provides for the greatest recovery available to the estate in the circumstances;
- The Receiver believes that the commercial terms of the LSA are reasonable, including the amount of the NMG, the NMG payment mechanism, the Expense Amount, the Removal Deadline and the Occupancy Period; and
- Comerica Bank (“Comerica”), the Company’s principal secured creditor, has consented to the Transaction. Comerica is projected to incur a shortfall on its advances to the Company and, accordingly, is the only stakeholder with an economic interest in the Transaction.

6.0 Overview of the Receiver's Activities

The Receiver's activities since August 1, 2012 have included the following:

- Carrying out the Receiver's duties and responsibilities in accordance with the Receivership Order and the Accommodation Agreements;
- Carrying out the Sale Process on the basis detailed herein;
- Negotiating the LSA with the Liquidator;
- Dealing with operational issues on a daily basis, including reviewing and approving all purchase orders and cheque requisitions;
- Issuing payments from the receivership accounts on a daily basis;
- Corresponding with legal counsel concerning receivership matters;
- Corresponding on a near daily basis with representatives of Meritor, Hoerbiger and ATI in respect of production, operational and invoicing issues;
- Reconciling payments made by ATI and Hoerbiger pursuant to their respective Accommodation Agreements;
- Dealing with the Company and Meritor's financial advisors routinely in connection with funding and other issues;
- Preparing a weekly variance analysis in accordance with Meritor's Accommodation Agreement;
- Dealing with cash management issues on a daily basis, including coordinating same with the Company's accounting personnel;
- Engaging Colliers International to list the real property for sale;
- Coordinating payroll logistics with the payroll service on a weekly basis;
- Reconciling accounts receivable collections on a daily basis and allocating those between the pre-filing and post-filing periods;
- Filing the Company's monthly HST returns;
- Dealing with the return of certain leased equipment;
- Paying post-filing expenses from the receivership accounts;
- Corresponding with the Company's stakeholders, including Comerica, employees, trade creditors, customers, and the Company's landlord;

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- Drafting this Report; and
 - Other matters pertaining to the administration of this mandate.

7.0 Conclusion and Recommendation

Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an order or orders granting the relief detailed in Section 1.1 of this Report.

* * *

All of which is respectfully submitted,

Duff + Phelps Canada Restructuring Inc.

**DUFF & PHELPS CANADA RESTRUCTURING INC.
IN ITS CAPACITY AS RECEIVER OF
PRECISION-TECH LIMITED
AND NOT IN ITS PERSONAL CAPACITY**

APPENDIX “A”

TO THE THIRD REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.

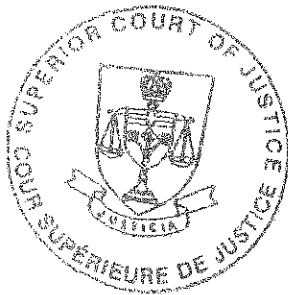
AS RECEIVER OF PRECISION-TECH LIMITED

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE

JUSTICE *Pattillo*

) TUESDAY, THE 10TH DAY
)
) OF JULY, 2012



COMERICA BANK

Applicant

- and -

PRECISION-TECH LIMITED

Respondent

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**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing Duff & Phelps Canada Restructuring Inc. as receiver (in such capacity, the "**Receiver**") without security, of all of the assets, undertakings and properties of Precision-Tech Limited (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 Cynthia B. Jones sworn July 5, 2012 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, the Debtor, Meritor Heavy Vehicle Systems, LLC and the Receiver, no one appearing although duly served as appears from the affidavit of service of Christine Doyle sworn July 6, 2012 and on reading the consent of the Debtor and the consent of Duff & Phelps Canada Restructuring Inc. to act as the Receiver,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the application is hereby abridged and validated so that this application 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 and section 101 of the CJA, Duff & Phelps Canada Restructuring Inc. 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 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 undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) 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;
- (k) 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;
- (l) 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 \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; 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.

- (m) 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;
- (n) 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;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) 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;
- (q) 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;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (s) 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.

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 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.

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, 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 National Leasing Group Inc., De Lage Landen Financial Services Canada Inc., Ally Credit Canada Limited, GE Canada Equipment Financing G.P. and Xerox Canada Ltd., but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

18. **THIS COURT ORDERS** that the Receiver and its legal counsel shall pass its accounts from time to 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 normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its 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, provided that the outstanding principal amount does not exceed \$500,000 (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 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.

GENERAL

24. **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.

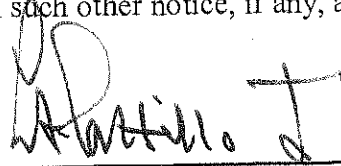
25. **THIS COURT ORDERS** that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

26. **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.

27. **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.

28. **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.

29. **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.



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



JUL 10 2012

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 Precision-Tech Limited 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 10th day of July, 2012 (the "**Order**") made in an action having Court file number 12978300-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 Toronto, Ontario.

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 , 2012.

Duff & Phelps Canada Restructuring Inc., solely in
its capacity as Receiver of the Property, and not in
its personal capacity

Per: _____

Name:

Title:

12747920.3

COMERICA BANK

**and
Applicant**

PRECISION-TECH LIMITED

Respondent

(Short title of proceeding)

Court File No.: CV12978300-CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
PROCEEDING COMMENCED AT
TORONTO**

**RECEIVERSHIP
ORDER**

**AIRD & BERLIS LLP
BARRISTERS AND SOLICITORS
BCE PLACE
SUITE 1800, BOX 754
181 BAY STREET
TORONTO, ONTARIO M5J 2T9
Tel 416.863.1500
Fax 416.863.1515**

**Sanjeev Mitra - LSUC#: 37934U
Tel: 416.863.1500
Fax: 416.863.1515**

**Solicitors for Duff & Phelps Canada
Restructuring Inc.**

APPENDIX “B”

TO THE THIRD REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.
AS RECEIVER OF PRECISION-TECH LIMITED

ONTARIO
SUPERIOR COURT OF JUSTICE

COMMERCIAL LIST

THE HONOURABLE)	WEDNESDAY, THE 1ST DAY
)	
JUSTICE NEWBOULD)	OF AUGUST, 2012

B E T W E E N:

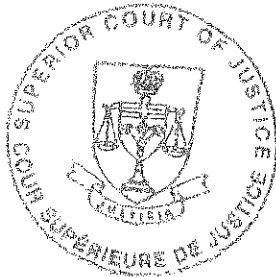
COMERICA BANK

Applicant

- and -

PRECISION-TECH LIMITED

Respondent



ORDER

THIS MOTION, made by Duff & Phelps Canada Restructuring Inc. in its capacity as the Court-appointed receiver (the “**Receiver**”) of the undertaking, property and assets of Precision-Tech Limited (the “**Debtor**”) for an order: (i) approving the First Report of the Receiver dated July 9, 2012, filed (the “**First Report**”) and the Second Report of the Receiver dated July 27, 2012, filed (the “**Second Report**”), and the Receiver’s activities set out therein; (ii) approving a letter agreement among the Receiver, Meritor Heavy Vehicles Systems LLC (“**Meritor**”) and Comerica Bank (“**Comerica**”) dated July 27, 2012 (the “**Meritor Amending Agreement**”) amending and supplementing the previously approved accommodation agreement between those parties (the “**Meritor Accommodation Agreement**”); (iii) creating a charge (the “**Customers’ Charge**”) in favour of Meritor, Hoerbiger and Allison Transmission, Inc. (“**Allison**”, and together with Meritor and Hoerbiger, the “**Customers**”), securing certain repayment of certain funding advanced by the Customers under their respective accommodation agreements; (iv) excluding the Customers’ exercise rights under their respective accommodation agreements from application of the stay and suspension of rights and remedies against the Debtor and the Property

in the Order of the Honourable Justice Pattillo dated July 10, 2012 by which the Receiver was appointed (the "**Receivership Order**"); (v) approving a process for the marketing and sale of the Debtor's assets, property and undertaking by the Receiver (the "**Sale Process**"); (vi) approving a key employee retention plan; (vii) approving an interim distribution to Comerica and further distributions to Comerica without further Order of this Court up to the Debtor's indebtedness owing to Comerica; and (viii) sealing the confidential appendices to the Second Report, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Second Report and the appendices thereto, and on hearing the submissions of counsel for the Receiver, Comerica, Meritor Heavy Systems, LLC, Allison Transmission, Inc., Hoerbiger Fine Stamping Inc., _____ and no one appearing for any other person on the service list, although properly served as appears from the affidavit of Christine Doyle sworn July 30, 2012 filed:

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record herein be and is hereby abridged, that the Motion is properly returnable today, that all parties entitled to notice of this Motion have been duly served with notice hereof and that the method of service of this material be and is hereby approved.
2. **THIS COURT ORDERS** that the First Report and the Second Report be and are hereby each approved and the activities of the Receiver described therein be and are hereby approved.
3. **THIS COURT ORDERS AND DECLARES** that the Meritor Amending Agreement and the transactions contemplated thereby are hereby approved and the Receiver is hereby authorized to perform its obligations under the Meritor Amending Agreement. The execution of the Meritor Amending Agreement by the Receiver is hereby authorized and approved, with such minor amendments as the Receiver, Comerica and Meritor may agree. In completing the transactions contemplated by the Meritor Amending Agreement, the Receiver, subject to the terms of the Meritor Amending Agreement, is hereby authorized to execute and deliver such additional, related and ancillary documents and assurances governing or giving effect to such transactions as the Receiver may, in its

discretion, deem necessary or advisable to complete such transactions and to take such steps as are necessary and incidental for the completion thereof.

4. **THIS COURT ORDERS** that the Customers are entitled to and are hereby granted a charge (the "**Customers' Charge**") on the Property, as defined in the Receivership Order, as security for repayment of certain funding advanced by the Customers pursuant to the Meritor Accommodation Agreement, the Meritor Amending Agreement, the Hoerbiger Accommodation Agreement, or the accommodation agreement among the Receiver, Allison Transmission, Inc. and Comerica approved by separate orders of the Honourable Court made on the date hereof (collectively, the "**Accommodation Agreements**"), as applicable, and that the Customers' Charge shall form a charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person except Comerica, National Leasing Group Inc., De Lage Landen Financial Services Canada Inc., Ally Credit Canada Limited, GE Canada Equipment Financing G.P., Xerox Canada Ltd, the Receiver and counsel to the Receiver, and the Receiver's Borrowing Charge, and subject to the sections 14.06(7), 81.4(4) and 81.6(2) of the *Bankruptcy and Insolvency Act*.
5. **THIS COURT ORDERS** that the Customers shall share any recovery from the Customer Charge pro rata based on amounts actually advanced by the Customers in respect to Non Operating Costs, as defined in the Accommodation Agreements, and cash flow deficiency payments.
6. **THIS COURT ORDERS AND DECLARES** that the stay and suspension of rights and remedies against the Debtor and the Property in paragraph 9 of the Receivership Order (the "**Stay**") shall not apply to the exercise by the Customers, against the Receiver, the Debtor or the Property, of any right or remedy under the Accommodation Agreements (though, for greater certainty, the Stay shall apply to any enforcement of the Customers' Charge).
7. **THIS COURT ORDERS** that the Sale Process as described in the Second Report be and is hereby approved.

8. **THIS COURT ORDERS** that the Receiver is hereby authorized and directed to take such steps as it considers necessary or desirable to carry out the Sale Process.
9. **THIS COURT ORDERS** that, in connection with the Sale Process and 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 and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sale transactions (each, a "Transaction"). 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 Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Receiver; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchaser of any Property shall be entitled to continue to use the personal 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.
10. **THIS COURT ORDERS** that that the key employee retention plan (the "KERP") described in, and appended as Confidential Appendix "D" to, the Second Report be and is hereby approved and the Receiver be and is authorized and directed to make the payments contemplated thereunder in accordance with the terms and conditions of the KERP.
11. **THIS COURT ORDERS** that, subject to reasonable reserves in the discretion of the Receiver (including, without limitation, for any priority claims and the Receiver's costs of administration), the Receiver may make one or more distributions to Comerica in an aggregate amount equivalent to the Debtor's indebtedness to Comerica, and that the same be and are hereby approved.

12. **THIS COURT ORDERS** that Confidential Appendices "A", "B", "C" and "D" to the Second Report be and are hereby sealed until further order of this Honourable Court.
13. **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.

Michael J.

12841529.9

ENTERED AT / INSÉRÉ À TORONTO
ON / BOOK NO:
LE / DANS LE REGISTRE NO.:

AUG 01 2012

PER/PA:

[Signature]

COMERICA BANK

and

PRECISION-TECH LIMITED

Applicant

Respondents

Court File No. CV-129783-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceedings commenced at Toronto

ORDER

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9

Sanjeev Mitra - LSUC#: 37934U
Tel: 416.863.1500
Fax: 416.863.1515

Solicitors for the Receiver, Duff & Phelps Canada Restructuring Inc.

APPENDIX "C"

TO THE THIRD REPORT OF DUFF & PHELPS CANADA RESTRUCTURING INC.

AS RECEIVER OF PRECISION-TECH LIMITED

LIQUIDATION SERVICES AGREEMENT

THIS LIQUIDATION SERVICES AGREEMENT is made as of this 21st day of September, 2012.

B E T W E E N :

DUFF & PHELPS CANADA RESTRUCTURING INC., in its capacity as court-appointed receiver of Precision-Tech Limited, and not in its personal or corporate capacity (the "**Receiver**")

- and -

CORPORATE ASSETS INC., a corporation incorporated under the laws of the Province of Ontario (the "**Liquidator**")

RECITALS:

- A. On July 10, 2012, Duff & Phelps Canada Restructuring Inc. was appointed as the Receiver in respect of Precision-Tech Limited ("**Precision**"), pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**");
- B. On August 1, 2012, the Court granted an order approving a sales process proposed by the Receiver in its second report to the Court (the "**Sales Process**") in respect of all of the Assets (defined below) of Precision;
- C. As part of the Sales Process, the Receiver wishes to sell all of the Assets, subject to the terms and conditions contained herein; and
- D. The Liquidator and the Receiver have agreed to enter into this Agreement respecting the sale of the Assets by the Liquidator as agent for and on behalf of the Receiver, upon the terms and conditions hereinafter set forth.

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree to the terms and conditions set forth below.

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

- (a) "**Accounts Receivable**" means all accounts, debts, dues, demands and choses in action howsoever arising that are now due, owing or accruing due to Precision,

including, without limitation, all accounts receivable pertaining to the Business, including HST and other tax refunds receivable.

- (b) “**Additional Excluded Assets**” has the meaning ascribed thereto in Section 2.01(b).
- (c) “**Agreement**” means this agreement, including its recitals and schedules, as amended from time to time.
- (d) “**Applicable Law**” means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations, guidelines, order and policies of any Governmental Authority having authority over that Person, property, transaction or event.
- (e) “**Approval and Vesting Order**” means an order approving this Agreement and the Sales contemplated herein and providing for the vesting of title to Purchasers, free and clear of all liens and encumbrances, substantially in the form attached hereto as Schedule 1.01(e).
- (f) “**Assets**” shall have the meaning ascribed thereto in Section 2.01(a).
- (g) “**Auction**” shall have the meaning ascribed thereto in Section 2.01(c).
- (h) “**Business**” means the business formerly carried on by Precision, including, without limitation, the business of manufacturing, distributing and supplying automotive parts.
- (i) “**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario, and also excluding any day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.
- (j) “**Buyer’s Premium**” shall have the meaning ascribed thereto in Section 2.04.
- (k) “**Claims**” means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), interest, penalties, costs, claims, complaints and demands of whatever nature or kind, including all legal fees and costs on a substantial indemnity basis.
- (l) “**Condition Date**” shall mean the date on which the Deposit has been paid to the Receiver and all of the conditions set out in Article 6 hereof have been satisfied or waived.
- (m) “**Court**” has the meaning set out in the recitals to this Agreement.
- (n) “**Deposit**” has the meaning ascribed thereto in Section 2.03(a).

- (o) **"Excluded Assets"** means:
- (i) the right, title, interest or benefit, if any, of Precision in connection with any leased or licensed assets used in the Business and the right, title, interest or benefit, if any, of Precision in any lease, license or other agreement relating thereto;
 - (ii) the Intellectual Property, other than Software, provided that the Liquidator shall be entitled to use Precision's name or any form thereof for the purpose of the Sales;
 - (iii) the books and records of Precision which do not relate to the Assets;
 - (iv) the Accounts Receivable;
 - (v) all fixtures which are attached to any Premises not listed on Schedule 2.01(a); and
 - (vi) those items set out in Schedule 1.01(o) as updated from time to time, up to and including the Final Sale Date (the **"Designated Excluded Assets"**).
- (p) **"Expense Amount"** means \$[REDACTED].
- (q) **"Final Sale Date"** means the date upon which the last Sale occurs.
- (r) **"Governmental Authority"** means
- (i) any federal, provincial, state, local, municipal, regional, territorial, aboriginal, or other government, governmental or public department, branch, ministry, or court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of the foregoing exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory or taxing authority or power of any nature; or
 - (ii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing..
- (s) **"Gross Proceeds"** means all proceeds of sale of the Assets collected from Sales, including Transfer Taxes and the Buyer's Premium;
- (t) **"Intellectual Property"** means all applications and registrations (whether domestic or foreign) for the trademarks, copyrights, patents, patent applications, industrial designs, engineering drawings and tooling designs owned by Precision, all trade secrets, trade dress, trade styles or other logos owned by Precision and all licenses related to the foregoing.

- (u) **"Inventory"** means any of Precision's inventory located at the Premises.
- (v) **"Liquidator Priority Amount"** means an amount equal to the Net Minimum Guarantee plus the Expense Amount.
- (w) **"Net Minimum Guarantee"** has the meaning ascribed thereto in Section 2.02.
- (x) **"Net Proceeds"** means the Gross Proceeds excluding any Buyer's Premium and excluding all Transfer Taxes.
- (y) **"NMG Assets"** means the Assets other than the Inventory.
- (z) **"NMG Due Date"** means the date that is 2 Business Days prior to the date of the first Auction.
- (aa) **"Occupancy Costs"** has the meaning ascribed thereto in Section 3.02.
- (bb) **"Occupancy Period"** has the meaning ascribed thereto in Section 3.02.
- (cc) **"Overage Amount"** has the meaning ascribed thereto in Section 2.05(g).
- (dd) **"Person"** means an individual, body corporate, sole proprietorship, partnership or trust or unincorporated association, unincorporated syndicate, unincorporated organization, or another entity, and a natural person, acting in his or her individual capacity or in his or her capacity as executor, trustee, administrator or legal representative, and any Governmental Authority.
- (ee) **"Precision"** has the meaning set out in the recitals to this Agreement.
- (ff) **"Premises"** means each and all of the real property described municipally as: (i) 305 Industrial Road, Cambridge, Ontario; and (ii) 1720 Bishop Street North, Cambridge, Ontario.
- (gg) **"Private Sale"** has the meaning ascribed thereto in Section 2.01(c).
- (hh) **"Purchasers"** means the entities which purchase the Assets from the Liquidator.
- (ii) **"Receiver Indemnified Parties"** has the meaning ascribed thereto in Section 5.03.
- (jj) **"Regulated Materials"** means any substance or material that is or becomes prohibited, controlled or regulated by any Governmental Authority, including, without limitation, any paints, solvents, PCB's, asbestos, contaminants, pollutants, dangerous substances, toxic substances, designated substances, controlled products, wastes, hazardous wastes, subject wastes, regulated materials, dangerous goods or petroleum, its derivatives, by-products or other hydrocarbons, all as defined in or pursuant to Applicable Laws.
- (kk) **"Removal Deadline"** means the date that is 105 days after the first day of access to each of the Premises by the Liquidator (which first day of access shall be not later

than 5 Business Days after the date the Approval and Vesting Order is granted), or, subject to Section 3.04, such later date as may be agreed to by the Receiver and the Liquidator.

- (ll) “**Sales**” has the meaning ascribed thereto in Section 2.01(c).
- (mm) “**Sales Account**” means a bank account held jointly in the name of the Receiver and the Liquidator at the Liquidator’s bank established for the purposes of holding Gross Proceeds of Sales to Purchasers occurring before the NMG Due Date, and in respect of which neither the Liquidator nor the Receiver has sole signing authority.
- (nn) “**Sales Process**” has the meaning set out in the recitals to this Agreement.
- (oo) “**Sales Statement**” has the meaning ascribed thereto in Section 2.05(f).
- (pp) “**Software**” means all software owned by Precision relating to the Business or the operation of the Assets, including all versions thereof, and all related documentation, manuals, source code and object code, program files, data files, computer related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, and all other material related to such software.
- (qq) “**Survival Date**” means the date that the Receiver is discharged in that capacity by the Court (for which the Receiver shall provide the Liquidator with not less than 5 Business Days notice).
- (rr) “**Tax Act**” means the *Income Tax Act* (Canada).
- (ss) “**Transfer Taxes**” has the meaning ascribed thereto in Section 2.05(b).

1.02 Headings

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and the term “including” means “including without limiting the generality of the foregoing”.

1.04 Statutory References

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 Currency

All references to currency herein are to lawful money of Canada.

1.06 Schedules

The following are the Schedules to this Agreement:

- Schedule 1.01(e) - Form of Approval and Vesting Order
- Schedule 1.01(o) - Designated Excluded Assets
- Schedule 2.01(a) - Machinery, Equipment and Inventory (where applicable)
 - Exhibit A – Located at 305 Industrial Road, Cambridge, Ontario
 - Exhibit B – Located at 1720 Bishop Street North, Cambridge, Ontario

ARTICLE 2 - SALE OF ASSETS

2.01 Appointment of Liquidator

- (a) Upon and subject to the terms and conditions hereof, the Liquidator agrees to sell as agent for and on behalf of the Receiver, and the Receiver appoints the Liquidator as its exclusive agent to sell to Purchasers, all of the right, title, benefit and interest of Precision, if any, in and to all of Precision's assets, undertakings and property of every nature and kind located at the Premises (or any one of them), and including, without limiting the generality of the foregoing:
 - (i) the Inventory;
 - (ii) all machinery and equipment, attachments and tooling and all vehicles, tools, handling equipment, furniture, furnishings, computer hardware and peripheral equipment, supplies and accessories of the Business and all relevant books, records and manuals related thereto, including, without limitation, all such items as set out in Schedule 2.01(a) attached hereto; and
 - (iii) all Software;

(collectively, the “Assets”) but excluding the Excluded Assets and any Additional Excluded Assets pursuant to Section 2.01(b) hereof.

- (b) In the event that the Receiver is not entitled to sell any of the Assets by reason of a valid third party claim to any such Assets, the Receiver will advise the Liquidator in writing and such items will be excluded from the Assets to be sold by the Liquidator (the “**Additional Excluded Assets**”) and the Net Minimum Guarantee shall be reduced in accordance with Section 2.02. If the Net Minimum Guarantee has been paid by the Liquidator to the Receiver in accordance with Section 2.03(b), then the Receiver shall pay to the Liquidator the amount of such adjustment within 2 Business Days of the date of such adjustment.
- (c) The Liquidator will sell the Assets to Purchasers in accordance with the Liquidator’s standard auction procedures subject to the terms of this Agreement. The sale of the Assets by the Liquidator to Purchasers shall be by way of a public auction (“**Auction**”) conducted at the Premises, and/or by prior private sale (each a “**Private Sale**”, and, all Private Sales together with any Auctions, are collectively referred to herein as “**Sales**”).
- (d) The Liquidator shall be entitled to conduct Auctions at each Premises on different dates.
- (e) The Liquidator shall be entitled to conduct Private Sales of any of the Assets, provided that notice thereof is given to the Receiver and copies of the documentation in respect of any Private Sale shall be provided to the Receiver within 2 Business Days of the completion of such Private Sale.
- (f) The Liquidator will not, and will have no authority to, incur any liability or obligation on behalf of the Receiver. The sole authority of the Liquidator, as agent of the Receiver, is to conduct the Sales and thereby convey to Purchasers as agent for the Receiver, the right, title, interest and benefit of Precision and the Receiver in and to an Asset sold to such Purchaser pursuant to the Approval and Vesting Order.

2.02 Net Minimum Guarantee

- (a) Subject to any adjustments set forth in Sections 2.02 and 2.08, the Liquidator guarantees in favour of the Receiver the Net Proceeds of the NMG Assets will not be less than \$ [REDACTED] (the “**Net Minimum Guarantee**”).
- (b) If no amount is allocated to any Additional Excluded Assets on Schedule 2.01(a), the reduction of the Net Minimum Guarantee shall be an amount equal to the fair market value of such NMG Assets. If the Liquidator and the Receiver are unable to agree on the fair market value of such Assets, a mutually acceptable third party shall be appointed as an independent valuator and shall, at the joint cost of the parties, assess the value of the adjustment, which assessment shall be conclusive and binding.

2.03 Deposit and Payment of Net Minimum Guarantee

- (a) Upon the execution of this Agreement, the Liquidator shall pay to the Receiver the sum of \$ [REDACTED] (the "**Deposit**") to be held in trust in an interest-bearing account.
- (b) On the NMG Due Date, the Liquidator will pay to the Receiver an amount equal to the Net Minimum Guarantee less: (i) any adjustment as provided for in this Agreement; (ii) the Deposit and all interest accrued thereon; and (iii) any amount paid to the Receiver from Private Sales on or before such date in accordance with Section 2.05(c) below.
- (c) Subject to Section 2.08(a), if this Agreement is terminated for any reason other than the breach by the Receiver of a covenant contained in this Agreement, the Deposit, together with all interest accrued thereon shall be forfeited by the Liquidator and retained by the Receiver.
- (d) Subject to Section 2.08(a), if this Agreement is terminated for any reason other than the breach by the Liquidator of a covenant contained in this Agreement, the Deposit, together with all interest accrued thereon will be returned to the Liquidator.

2.04 Buyer's Premium

The Liquidator shall be entitled to charge and retain, free of any claim of any Person, a buyer's premium in the amount of [REDACTED] percent ([REDACTED]%) in the case of on-site Purchasers at the Premises and [REDACTED] percent ([REDACTED]%) in the case of "web cast" Purchasers of the selling price of any Asset in addition to the price obtained at an Auction or in a Private Sale for any Assets sold (the "**Buyer's Premium**"). For greater certainty, the Buyer's Premium shall not form part of the Net Proceeds or be subject to the proceeds sharing formula set out in Section 2.05(g) hereof.

2.05 Proceeds of Sales and Payment of Taxes

- (a) The Liquidator will be responsible for the collection of the Gross Proceeds.
- (b) The Liquidator will collect from the Purchasers and will remit, or cause to be remitted and paid either through the Sales Account or otherwise, any applicable federal and provincial sales taxes, goods and services taxes or harmonized sales taxes payable under any Applicable Law on or with respect to any of the Sales (collectively, "**Transfer Taxes**"). The Liquidator will pay the Transfer Taxes in accordance with the relevant taxing legislation when due and deliver to the Receiver evidence confirming the Liquidator's payment of, or exemption from payment of, the Transfer Taxes in form and substance reasonably acceptable to the Receiver. The Liquidator will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Receiver, the Liquidator will reimburse to the Receiver such taxes within 5 Business Days of payment of such taxes by the Receiver. The Liquidator will indemnify and hold the Receiver harmless in respect of any Transfer Taxes, penalties, interest and other amounts that

may be assessed against the Receiver under any Applicable Law as a result of the sale of the Assets.

- (c) Prior to payment to the Receiver of the Net Minimum Guarantee in full, the Gross Proceeds less any Transfer Taxes owing in respect of such Gross Proceeds from any Private Sales shall be held in the Sales Account. The Liquidator shall not be entitled to use of any of the Gross Proceeds in the Sales Account prior to the NMG Due Date, other than amounts required to be paid for Transfer Taxes in accordance with the relevant taxing legislation, when due.
- (d) On the NMG Due Date any Gross Proceeds in the Sales Account relating to Sales of NMG Assets on the NMG Due Date, other than amounts required to be paid for Transfer Taxes, shall be paid to the Receiver as a reduction of the Net Minimum Guarantee contemplated in Section 2.03(b)(iii).
- (e) After payment to the Receiver of the Net Minimum Guarantee in full, the Gross Proceeds from any Sales shall be collected by the Liquidator and deposited into a bank account under its control. For greater certainty, after payment to the Receiver of the Net Minimum Guarantee in full, the Liquidator shall be entitled to retain:
 - (i) any Buyer's Premium collected; and
 - (ii) any Net Proceeds received on account of Sales of NMG Assets up to an aggregate amount equal to the Liquidator Priority Amount.
- (f) Within 10 Business Days of the earlier of (i) the Removal Deadline, and the (ii) the Final Sale Date, the Liquidator will prepare and provide a statement setting out, for all of the Sales conducted to the date thereof, the Gross Proceeds received, the Net Proceeds received, the Buyer's Premium collected and all Transfer Taxes owing (the "**Sales Statement**"). The Receiver shall have the right to review the Sales Statement and any documentation supporting the Sales Statement.
- (g) As soon as possible after the delivery of the Sales Statement, without any further direction from the Receiver, the Receiver shall be paid an amount equal to the Net Proceeds of all Sales of Inventory.
- (h) If the aggregate of the Net Proceeds of all Sales of NMG Assets are in excess of the Liquidator Priority Amount at the time of delivery of the Sales Statement, as soon as possible after the delivery and any review of the Sales Statement, without any further direction from the Liquidator or Receiver, the Receiver shall be paid an amount equal to ■■■% of the difference between the Net Proceeds of all Sales and the Liquidator Priority Amount (the "**Overage Amount**").
- (i) Any Assets which are not sold by the Removal Deadline shall be either removed from the Premises in accordance with Section 3.04, or, at the direction of the Receiver, discarded, in either case at the Receiver's sole cost. For any Assets which are not sold by the Removal Deadline and not discarded in accordance with the preceding sentence:

- (i) the Liquidator shall continue to be the exclusive agent of the Receiver for the Sale thereof, and shall collect the Gross Proceeds resulting from a Sale of such Assets;
- (ii) the Liquidator shall provide a Sales Statement in respect of a Sale of such Assets within 2 Business Days of such Sale;
- (iii) the Receiver shall have the right to review such Sales Statements and any documentation supporting such Sales Statement;
- (iv) the Liquidator shall ensure that all Transfer Taxes in respect of a Sale of such Assets are paid in accordance with Section 2.05(b);
- (v) the Net Proceeds resulting from any such Sales of Inventory will be paid to the Receiver; and,
- (vi) the Net Proceeds resulting from any such Sales of NMG Assets will be paid in the following order of priority:
 - (A) firstly, on account of any portion of the Liquidator Priority Amount not yet paid to the Liquidator; and
 - (B) secondly, to the Receiver, all of the Net Proceeds remaining after the Liquidator Priority Amount has been paid.

2.06 All Sales to be "As Is, Where Is"

- (a) Notwithstanding any other provision of this Agreement, the Liquidator acknowledges that it has inspected the Assets and except as otherwise expressly provided in this Agreement, no representation, warranty or condition whether statutory (including under the *Sale of Goods Act* (Ontario), the International Sale of Goods Contracts Convention Act (Canada) and the International Sale of Goods Act (Ontario) or any international equivalent act which may be applicable to the subject matter pursuant to the provisions of this Agreement, including the United Nations Convention on Contracts for the International Sale of Goods), expressed or implied, oral or written, legal, equitable, conventional, collateral or otherwise will be given by the Receiver as to title, outstanding liens or encumbrances, description, fitness for purpose, merchantability, quantity, condition, quality, suitability, durability, assignability, or marketability thereof or any other matter or thing whatsoever, and all of the same are expressly excluded. The Liquidator acknowledges and agrees that it has inspected the Assets and has relied on its own investigations as to the matters set out above and in determining to enter this Agreement.
- (b) The Liquidator agrees that all Sales of the Assets to the Purchasers will be on the "as is, where is" basis and shall be final. The Liquidator will ensure that all advertising signs and promotional materials in connection with the Assets shall advise Purchasers that all sales are made on an "as is, where is" basis and are final, and the Liquidator agrees that all receipts or bills of sale will contain similar language.

2.07 Obligations and Liabilities Not Assumed

- (a) The Liquidator does not assume and shall not be liable for any obligations or liabilities of the Receiver or Precision whatsoever, including, without limitation, any and all environmental obligations or liabilities of Precision relating to the Assets or the Premises, any taxes or duties which may be or become payable by the Receiver or Precision, including any income taxes, corporate taxes, realty taxes, source deductions or customs duties which may be or become payable by the Receiver of Precision resulting from or arising as a consequence of the sale of the Assets to the Purchasers (excluding, for the avoidance of doubt, any Transfer Taxes as provided in Section 2.05(b) hereof).
- (b) Notwithstanding anything herein set out, it is further understood and agreed that in no event will the Liquidator be liable, under any successor rights employment legislation or otherwise, for any obligations of the Receiver or Precision with respect to their employees.

2.08 Title to the Assets and Risk of Loss

- (a) Until sold to Purchasers, title to the Assets will remain with the Receiver, and the Assets will remain at the risk of the Receiver. In the event of any loss of or damage to some or all of the Assets prior to the sale of such Assets to Purchasers:
 - (i) where **all** or substantially all of the Assets are lost or damaged, for the purposes of this Agreement, the Liquidator shall have the option to (A) accept the insurance proceeds in respect of the NMG Assets, which shall be considered Gross Proceeds from the sale of NMG Assets for the purpose of the payment of the Net Minimum Guarantee by the Liquidator to the Receiver or the reimbursement of the Net Minimum Guarantee by the Receiver to the Liquidator (as the case may be), and complete the transaction contemplated herein; or (B) terminate this Agreement, in which case both parties shall be released from all obligations hereunder, other than the obligation of the Receiver to repay the Net Minimum Guarantee to the Liquidator (if paid to it pursuant to this agreement), and pay the Deposit, plus interest, to the Liquidator and the Receiver shall reimburse the Liquidator's actual and reasonable out of pocket expenses incurred between the date of this Agreement and the date of such termination, up to a maximum of the Expense Amount, provided such expenses are related to the sale of the Assets; and
 - (ii) in the event of the loss of or damage to some items of the Assets, an amount equal to the fair market value of such item shall be deducted from the Net Minimum Guarantee and such items comprising Assets shall become Excluded Assets (and, for greater certainty, the insurance proceeds of such Excluded Assets shall accrue to the benefit of the Receiver).

- (b) The Receiver will maintain first party all risk property insurance and boiler and machinery insurance in accordance with the form and extent of coverage that the Receiver had in place as of the date of its appointment. Such insurance provides for loss settlement on a replacement cost basis if the Assets are repaired or replaced and on an actual cash value basis if the Assets are not repaired or replaced in accordance with the terms of the policies in place at any given time. In the event of any loss, damage or claim in respect of any risk for which insurance is carried as aforesaid arising before the Condition Date, the Liquidator, as an additional condition hereunder, will be entitled to be satisfied that the Receiver has put the applicable insurers on written notice of the loss.

2.09 Liquidator Dealing with Assets

The Liquidator will deal with the Assets in accordance with proper liquidation industry practices using qualified personnel during the Occupancy Period.

ARTICLE 3 - POSSESSION, DELIVERY AND REMOVAL OF ASSETS

3.01 Delivery of the Assets

The Receiver represents and warrants that the Assets are all located at the Premises and agrees that following the Auction the Assets sold by the Liquidator shall be surrendered to the Purchasers at the Premises.

3.02 Access to the Premises and Occupancy Costs

For the purposes of viewing and inspecting the Assets, showing the Assets to prospective purchasers and preparing for and conducting the Auctions and removing the Assets, the Receiver shall provide the Liquidator and its agents, employees and representatives with unrestricted exclusive access (other than the right of the Receiver and the employees of Precision to have reasonable ongoing access) to each of the Premises from the date of Court approval of this Agreement to the Removal Deadline in respect of each Premises (the "**Occupancy Period**"). The Receiver shall provide the Liquidator with the names of the employees of Precision who require access to the Premises, provided that the Receiver shall have the right to amend, supplement or change the list of such employees as required. The Receiver shall inform all such Persons, firms or corporations that their access to the Premises must be coordinated through the Liquidator. Upon Court approval of this Agreement and receipt of the Deposit, the Receiver shall deliver to the Liquidator keys to the Premises, particulars of the alarm codes and names of all Persons, firms or corporations who have access to the Premises. During the Occupancy Period, the Receiver agrees to pay any rent and shall be responsible for the continued supply of all utilities to the Premises, including, without limitation, gas, water, heat, hydro and telephone, and for the maintenance of fire and third-party liability insurance on the Premises (the "**Occupancy Costs**") all at the Receiver's sole cost.

3.03 Conduct of Sales and Auctions

The Receiver acknowledges that the Liquidator intends to sell the Assets by one or more Private Sales or public Auctions. The Receiver hereby consents to the use by the Liquidator of the phrase "Public Auction Sale, Precision-Tech Limited" and the use of any other trade names or trademarks owned by Precision in advertisements for the Auction during the period up to and including the Auction Date. The conduct of the Auction, including advertising, marketing, the number of Auctions, number of sale days, inspection arrangements and other such matters shall be at the sole discretion of the Liquidator. The Liquidator will provide the Receiver with a copy of all proposed advertising materials no less than 2 Business Days prior to publication and the Receiver shall advise the Liquidator of any issues identified by the Receiver with respect to such materials promptly, failing which, the Receiver shall be deemed to have given its consent to the subject advertisement. The Liquidator shall have the right to supplement the Assets being sold on the Premises and the parties agree that such supplemented assets will not form part of the Assets and the terms of this Agreement will not apply thereto, provided that, notwithstanding the foregoing:

- (a) the Liquidator shall provide a reconciliation setting out the proceeds from the sale of any supplemented assets within 5 Business Days of the sale of same;
- (b) the Liquidator shall pay to the Receiver █% of the price paid by any Person for such supplemented assets within 5 Business Days of the receipt of same; and
- (c) any supplemented assets shall be removed from the Premises by the Removal Deadline at the Liquidator's sole cost, which cost shall not be reimbursable as part of the Expense Amount

3.04 Removal of Assets

- (a) The Liquidator shall remove the Assets from such Premises by the Removal Deadline and shall leave that portion of the Premises upon which the Assets were situated, in a neat and orderly condition following such removal including removal of any debris arising from or caused by the Auction;
- (b) the Receiver shall be entitled to be present during the removal of the Assets from such Premises;
- (c) after completion of the Auction by the Liquidator at a Premises, the Liquidator shall supervise the removal of all of the Assets from the Premises, which removal shall be done in a workmanlike manner, consistent with good industrial practice, and completed by the Removal Deadline, or such later date as may be agreed to by the Receiver and the Liquidator; provided that, if Liquidator requires an extension of the Removal Deadline, the Liquidator shall be responsible for and shall pay to, and indemnify the Receiver for, all actual Occupancy Costs of such Premises during such additional occupancy period unless the Liquidator makes arrangements directly with the landlord of such Premises in respect of the Liquidator's occupation of such Premises and the landlord releases the Receiver from any and all such costs;
- (d) the Liquidator shall have no obligation to remove unsold Assets, Excluded Assets, Additional Excluded Assets or Regulated Materials;

- (e) the Liquidator shall place absorbent material on the floors to absorb spills or oil, lubricants, grease or any other liquid remaining after removal of the Assets, as a result of any spill that occurs during the Occupancy Period, including during the removal of the Assets or any of them; and
- (f) the Liquidator shall remedy or repair any condition resulting from the removal of Assets to the extent required to comply with building and electrical codes. For greater certainty, this will include removing or capping all electrical wires and air/water/other lines to the buss bar/nearest wall and all bolts "blown off", placing safety barriers around any pits, but will not include any filling in holes in the floor, walls or roof. The Liquidator shall have no responsibility to remedy any damages or condition to the Premises existing prior to the date of its access thereto. Furthermore, the cost of the removal and disposal of any oils, lubricants or fluids contained in any of the machines comprising the Assets together with all garbage and debris located at the Premises shall be for the Receiver's account.
- (g) The Receiver shall, at its expense, segregate Excluded Assets and Additional Excluded Assets at each of the Premises prior to the dates of any Auction to be held at such Premises.

3.05 Regulated Materials

- (a) No provision of this Agreement shall be construed so as to require the Liquidator to investigate, clean up, remove or remedy any adverse or other environmental condition existing at the Premises, or to be responsible for any environmental liabilities, or be liable for the investigation, clean up or remediation of any environmental liabilities, including any cost relating to any investigation, clean up or remediation of such environmental condition or liability or any Regulated Materials or other adverse environmental condition existing at, under, on or near the Premises, or contained in the Assets save and except to the extent that the Liquidator or its agents, employees, invitees and guests have caused such adverse or other environmental condition at, under, on or near the Premises.
- (b) Nothing in this Agreement shall oblige the Liquidator and the Liquidator shall not, in fact, be liable for any environmental obligations or liabilities which are existing obligations or liabilities of Precision. The Receiver acknowledges that during the Occupancy Period, the Liquidator is not in care, management, possession or control of the Premises as contemplated by any environmental laws, regulations, by-law, guidelines, policies, approvals, permits or orders of any governmental authority.

ARTICLE 4 - REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

4.01 Receiver's Representations and Warranties

The Receiver represents and warrants to the Liquidator that:

- (a) Subject to Court approval, the Receiver has, the good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Receiver contemplated hereunder including the holding of public Auctions on the Premises;
- (b) the Receiver has not encumbered, sold or agreed to sell any of the Assets;
- (c) the recitals to this Agreement are true and correct and that, subject to Court approval, the Assets can be conveyed to the Purchasers free and clear of any and all liens, security interests and/or other interests of any nature or kind;
- (d) except for this Agreement, and as otherwise provided for herein, there are no outstanding options, agreements or rights capable of becoming an agreement obligating the Receiver to sell the Assets or any of them to any Person;
- (e) to the best of the knowledge of the Receiver, Precision is registered under Part IX of the *Excise Tax Act* (Canada) with registration number is 868268921RT0001 ; and,
- (f) the Receiver is not a non-resident Person within the meaning of section 116 of the *Income Tax Act*.

4.02 Survival of Receiver's Representations, Warranties and Covenants

- (a) The representations and warranties of the Receiver set forth in Section 4.01 will survive the completion of the transactions contemplated hereunder. However, the Receiver will not be liable to the Liquidator for any inaccuracy or misrepresentation in any representation or warranty set forth in Section 4.01 after the Survival Date.
- (b) The covenants of the Receiver set forth in this Agreement will survive the transactions contemplated hereunder and, notwithstanding such completion, will continue in full force and effect for the benefit of the Liquidator in accordance with the terms of this Agreement until the Survival Date.

4.03 Liquidators' Representations, Warranties and Acknowledgement(s)

The Liquidator represents, warrants and acknowledges to the Receiver that:

- (a) The Liquidator is a corporation duly incorporated, organized and subsisting under the laws of Ontario and has all the necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder.
- (b) The Liquidator has good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Liquidator contemplated hereunder.
- (c) This Agreement constitutes a valid and legally binding obligation of the Liquidator, enforceable against the Liquidator in accordance with its terms.

- (d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Liquidator will result in a violation of: (i) any of the provisions of the constating documents or by-laws of the Liquidator; (ii) any agreement or other instrument to which the Liquidator is a party or by which the Liquidator is bound; or (iii) any Applicable Law.
- (e) No authorizations, consents or approvals of, or filing with or notice to, any Governmental Authority is required in connection with the execution, delivery or performance of this Agreement.
- (f) The Liquidator is registered under Part IX of the *Excise Tax Act* (Canada) with registration number R13810586.
- (g) The Liquidator acknowledges that it or its representatives have been furnished with all information regarding the Assets that the Liquidator requires to enable it to enter into this Agreement.

4.04 Survival of Liquidator's Representations, Warranties and Covenants

- (a) The representations and warranties of the Liquidator set forth in Section 4.03 will survive the completion of the transactions contemplated hereunder. However, the Liquidator will not be liable to the Receiver for any inaccuracies or misrepresentations of the representations and warranties set forth in Section 4.03 after the Survival Date.
- (b) The covenants of the Liquidator set forth in this Agreement will survive the completion of the transactions contemplated hereunder and, notwithstanding such completion, will continue in full force and effect for the benefit of the Receiver in accordance with the terms of this Agreement until the Survival Date.

ARTICLE 5 - OTHER COVENANTS OF LIQUIDATOR AND RECEIVER

5.01 Representations and Warranties

Each of the Receiver and the Liquidator will ensure that its representations and warranties set out in herein are true and correct at the time of each sale of any of the Assets to a Purchaser.

5.02 Additional Covenants of Liquidator and Receiver

- (a) The Liquidator will, during the Occupancy Period, ensure that the Receiver has full access to the books and records of Precision and preserve the books and records of Precision, to the extent that any such books and records are located at the Premises. The Liquidator shall not dispose or destroy any of Precision's books and records.
- (b) The Liquidator will provide to the Receiver copies of all filings or notices to any Governmental Authority relating to the transaction contemplated by the Agreement.

- (c) The parties hereto will promptly notify each other of any material fact or circumstance that would prevent it from satisfying the conditions precedent set out in this Agreement.

5.03 Indemnities

The Liquidator agrees to indemnify and save harmless the Receiver and its representatives and advisors from and against all Claims, suffered or incurred by any of them from and after the date hereof as a result of or arising directly or indirectly out of or in connection with any gross negligence or wilful misconduct of the Liquidator or its employees, contractors, licencees, agents or invitees which shall exclude the employees, contractors, licencees, agents or invitees of Precision or the Receiver (the "**Receiver Indemnified Parties**"), including all Claims incurred by the Receiver Indemnified Parties directly or indirectly as a result of the Liquidator not collecting or remitting the Transfer Taxes. The provisions of this Section 5.03 will inure to the benefit of the Receiver and its representatives and advisors and their respective successors and assigns.

5.04 Cooperation on Tax Matters

- (a) The Liquidator and the Receiver agree to make, execute and file with the appropriate taxing authorities all elections or purchase exemption certificates as the parties hereto agree are mutually desirable, if any, in prescribed form and within the prescribed time.
- (b) The Receiver and the Liquidator will furnish or cause to be furnished to each other, at the expense of the requesting party, as promptly as practicable, such information and assistance, and provide additional information and explanations of any material provided, relating to the Assets as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to Transfer Taxes.

ARTICLE 6 - CONDITIONS

6.01 Conditions for the Benefit of the Liquidator

- (a) The transactions contemplated hereunder are subject to the following conditions, which are for the exclusive benefit of the Liquidator and which are to be performed or complied with at or prior to the Condition Date:
 - (i) the representations and warranties of the Receiver set forth in Section 4.01 will be true and correct with the same force and effect as if made at and as of such time;
 - (ii) the Receiver will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Receiver;

- (iii) the Court shall have granted the Approval and Vesting Order, in form and substance satisfactory to the Liquidator, acting reasonably;
 - (iv) no order will have been made to restrain, enjoin or prohibit the purchase and sale of all or substantially all of the Assets; and
 - (v) no material damage by fire or other hazard to all or substantially all of the Assets will have occurred from the date hereof.
- (b) In case any material term or covenant of the Receiver or material condition to be performed or complied with for the benefit of the Liquidator at or prior to the Condition Date has not been performed or complied with at or prior to the Condition Date, the Liquidator, without limiting any other right that the Liquidator has, may at its sole option acting reasonably, either:
- (i) terminate this Agreement by notice to the Receiver, and, in such event, the Liquidator will be released from all obligations hereunder; or
 - (ii) waive compliance with any such term, covenant or condition in whole or in part with respect to any such non-compliance on such terms as may be agreed upon without prejudice to any of its rights of termination in the event of the non-performance of other term, covenant or condition in whole or in part;

and, if the Liquidator terminates this Agreement pursuant to Section 6.01(b)(i), the Receiver will be released from all obligations hereunder unless the term, covenant or condition for which the Liquidator has terminated this Agreement was one that the Receiver had covenanted hereunder to ensure had been performed or complied with, in which event the Receiver will be liable to the Liquidator for any Claims incurred by the Liquidator, directly or indirectly, as a result of such breach.

6.02 Conditions for the Benefit of the Receiver

- (a) The transactions contemplated hereunder are subject to the following conditions, which are for the exclusive benefit of the Receiver and which are to be performed or complied with at or prior to the Condition Date:
- (i) the representations and warranties of the Liquidator set forth in Section 4.03 will be true and correct with the same force and effect as if made at and as of such time;
 - (ii) the Liquidator will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Liquidator at such time;
 - (iii) the Court shall have granted the Approval and Vesting Order, in form and substance satisfactory to the Receiver, acting reasonably;

- (iv) no order will have been made to restrain, enjoin or prohibit the purchase and sale of all or substantially all of the Assets; and
 - (v) no material damage by fire or other hazard to all or substantially all of the Assets will have occurred from the date hereof.
- (b) In case any material term or covenant of the Liquidator or material condition to be performed or complied with for the benefit of the Receiver at or prior to the Condition Date has not been performed or complied with at or prior to the Condition Date, the Receiver, without limiting any other right that the Receiver has, may at its sole option acting reasonably, either:
- (i) terminate this Agreement by notice to the Liquidator, and, in such event, the Receiver will be released from all obligations hereunder, or
 - (ii) waive compliance with any such term, covenant or condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of termination in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Receiver terminates this Agreement pursuant to Section 6.02(b)(i), the Liquidator will also be released from all obligations hereunder unless the term, covenant or condition for which the Receiver has terminated this Agreement was one that the Liquidator had covenanted hereunder to ensure had been performed or complied with, in which event the Liquidator will be liable to the Receiver for any Claims incurred by the Receiver, directly or indirectly, as a result of such breach. In that event, the Assets may be resold by the Receiver and all money paid by the Liquidator under this Agreement, including the Deposit, plus interest, will be forfeited on account of liquidated damages, but such forfeiture will not be deemed to constitute the full extent of liquidated damages payable by the Liquidator as a result of the Receiver's termination pursuant to Section 6.02(b)(i).

6.03 Proceeds of Sales / Net Minimum Guarantee Prior to Termination

- (a) In the event that the Agreement is terminated pursuant to Article 6 due to a breach by the Liquidator of a provision of this Agreement, notwithstanding such termination, the Net Proceeds in the Sales Account prior to the date of such termination shall be paid as soon as reasonably possible by the Liquidator to the Receiver. The Liquidator shall be responsible for, and remit all Transfer Taxes in respect any Sales made by the Liquidator prior to the date of such termination.
- (b) In the event that the Agreement is terminated pursuant to Article 6 due to a breach by the Receiver of a provision of this Agreement or a *force majeure*, the Receiver shall repay the Net Minimum Guarantee to the Liquidator (if paid to it pursuant to this Agreement) or the Deposit (if the Net Minimum Guarantee has not been paid) as soon as reasonably possible.

ARTICLE 7 - FORCE MAJEURE

7.01 Force Majeure

A failure by either party to perform any obligation under this Agreement as a result (in whole or in part) of *force majeure* will not constitute a default under this Agreement, and neither party will have any liability to the other as a result of any such failure to perform. A party who contends that its performance is excused by reason of *force majeure* must give prompt written notice to the other party specifying the condition constituting the same and use all commercially reasonable efforts to rectify such condition as soon as possible. For the purposes hereof, *force majeure* means any of the following: lightning, storms, earthquakes, floods, droughts, fires, explosions, shortages of labour, strikes, protests, lock-outs or other labour disturbances (whether or not under a party's control), acts of war or terrorism, riots, or any other action taken by any Person in connection therewith, expropriation, action of any government or governmental body or court, acts of God or any other cause, whether similar to or dissimilar from the foregoing, beyond the reasonable control of the party seeking to take advantage of *force majeure* and affecting performance by such party.

7.02 Assistance

The Liquidator and the Receiver will co-operate with each other in a commercially reasonable manner in the event of any labour disruption or *force majeure* that interferes with the sale of the Assets or the ability of the Liquidator to perform its obligations hereunder with a view to alleviating such interference.

ARTICLE 8 - GENERAL

8.01 Further Assurances

Each of the Receiver and the Liquidator shall from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, at such requesting party's cost, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

8.02 Time of the Essence

Time shall be of the essence of this Agreement.

8.03 Benefit of the Agreement

This Agreement shall inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and permitted assigns of the parties hereto.

8.04 Fees and Commissions

Except as expressly provided herein, each of the Receiver and the Liquidator will pay its respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and will

indemnify and save harmless the other from and against any Claim for any broker's, finder's or placement fee or commission alleged to have been incurred as a result of any action by it in connection with the transactions under this Agreement.

8.05 Entire Agreement

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.

8.06 Amendments and Waiver

No modification of or amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by both of the parties hereto and no waiver of any breach of any term or provision of this Agreement shall be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, shall be limited to the specific breach waived. This Agreement may not be assigned by either party hereto without the prior written consent of the other party.

8.07 Assignment

This Agreement may not be assigned by either party hereto without the prior written consent of the other party.

8.08 Notices

Any demand, notice or other communication to be given in connection with this Agreement shall be given in writing and shall be given by personal delivery, by registered mail or by electronic means of communication addressed to the recipient as follows:

To the Receiver:

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

Attention: Bobby Kofman and David Sieradzki
Email: Bobby.Kofman@duffandphelps.com and
David.Sieradzki@duffandphelps.com

with a copy to:

Aird & Berlis LLP
181 Bay Street, Suite 1800
Toronto, Ontario

M5H 2T6

Attention: Sanj Mitra and Sam Babe
email: smitra@airdberlis.com and sbabe@airdberlis.com

To the Liquidator:

Corporate Assets Inc.
2 St. Clair Ave. W.
Toronto, Ontario
M4V 1L5

Attention: Joe Lizewski and Ryan Haas
Email: JLizewski@corpassets.com and ryan.haas@corpassets.com

or to such other address, individual or electronic communication number as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof and, if given by registered mail, on the fourth Business Day following the deposit thereof in the mail and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day. If the party giving any demand, notice or other communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of mail, any such demand, notice or other communication shall not be mailed but shall be given by personal delivery or by electronic communication.

8.09 Counterparts

This Agreement may be executed in several counterparts and all counterparts when taken together shall comprise one and the same instrument, and facsimile or other electronic copies of signatures shall be treated as originals for all purposes.

8.10 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

8.11 Attornment

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario sitting in Toronto will have jurisdiction to entertain any action arising under this Agreement. The Receiver and the Liquidator each attorns to the jurisdiction of the courts of the Province of Ontario sitting in Toronto.

8.12 Severability

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

8.13 Acknowledgements of the Liquidator

The Liquidator acknowledges that Duff & Phelps Canada Restructuring Inc. has entered into this Agreement solely in its capacity as court-appointed receiver of Precision and not in its personal or corporate capacity.

8.14 Confidentiality

The Liquidator and the Receiver shall keep confidential this Agreement and all information and documents which may have been or may hereafter be exchanged between them or their representatives or may have been retained by the Liquidator or the Receiver, except for such information and documents as are available to the public, required to be disclosed by applicable law or court order, or as required to be disclosed by the Receiver under Applicable Law. The Receiver will redact the economic terms of the transactions contemplated herein from any material to be filed with the Court and shall use its commercially reasonable efforts to obtain a sealing order for any unredacted versions.

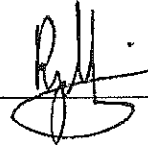
[Signature Page Follows]


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

**DUFF & PHELPS CANADA RESTRUCTURING
INC.**, in its capacity as court-appointed receiver of
Precision-Tech Limited, and not in its personal or
corporate capacity

By: _____
Name:
Title:

CORPORATE ASSETS INC.

By:  - Director,
Name: RYAN HAAS
Title:


Name: BRIAN DALGADO
Title: VP - FINANCE

SCHEDULE 1.01(e)
FORM OF APPROVAL AND VESTING ORDER

(See Attached.)

SCHEDULE 1.01(o)
DESIGNATED EXCLUDED ASSETS

- (a) leased office equipment
- (b) Mitsubishi (2004) MH-4-50 Horizontal Machining Centre, serial number GK AA 027
- (c) **[the Premises]**

SCHEDULE 2.01(a)
MACHINERY, EQUIPMENT AND INVENTORY

[NOTE: This Schedule should allocate the Net Minimum Guarantee across all assets listed and detail any deletions will result in a reduction equivalent to the amount allocated to each asset. The sum of the list should equal the Net Minimum Guarantee amount.]

EXHIBIT A – LOCATED AT 305 INDUSTRIAL ROAD, CAMBRIDGE, ONTARIO

(See Attached).

SCHEDULE 2.01(a)
MACHINERY, EQUIPMENT AND INVENTORY

EXHIBIT B – LOCATED AT 1720 BISHOP STREET NORTH, CAMBRIDGE, ONTARIO

(See Attached).

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