
**First Report of
Duff & Phelps Canada Restructuring Inc.
as Receiver of
Xchange Technology Group LLC,
IT Xchange Inc., IT Xchange Corp.,
BlueRange Technology Corp.,
BlueRange Technology Inc.,
IT Xchange Financial Services LLC and
Partstock Computer LLC**

November 19, 2013

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COURT FILE NO: CV-13-10310-00CL

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

CALLIDUS CAPITAL CORPORATION

APPLICANT

- AND -

**XCHANGE TECHNOLOGY GROUP LLC, IT XCHANGE INC.,
IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., IT XCHANGE FINANCIAL SERVICES LLC AND
PARTSTOCK COMPUTER LLC**

RESPONDENTS

**FIRST REPORT OF
DUFF & PHELPS CANADA RESTRUCTURING INC.
AS RECEIVER**

NOVEMBER 19, 2013

1.0 Introduction

1. This report ("Report") is filed by Duff & Phelps Canada Restructuring Inc. ("D&P") in its capacity as receiver ("Receiver") of the property, assets and undertaking of Xchange Technology Group LLC, IT Xchange Inc., IT Xchange Corp., BlueRange Technology Corp., BlueRange Technology Inc., IT Xchange Financial Services LLC and Partstock Computer LLC (collectively, the "XTG Debtors").
2. The XTG Debtors have numerous foreign affiliates that are not subject to these proceedings. They are: IT Xchange Limited (UK); IT Xchange Japan LLC (Japan); Hire Information Technology Ltd. (UK); Xchange Technology Rentals Ltd. (UK); IT Xchange Macao Commercial Offshore Ltd. (Macao); IT Xchange Pty Ltd. (Australia); and Xchange Technology GmbH (Germany) (collectively, the "Foreign Affiliates" and together with the XTG Debtors, referred to as the "XTG Group"). A corporate organizational chart is provided in Section 2 below.
3. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on October 29, 2013 (the "Receivership Order"), D&P was appointed Receiver. A copy of the Receivership Order and the Endorsement of the Honourable Justice Morawetz is attached as Appendix "A".

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4. On October 30, 2013, the Receiver, as Foreign Representative, commenced proceedings in the United States Bankruptcy Court for the District of Delaware (“US Court”) seeking recognition of the Canadian receivership proceeding as a foreign non-main proceeding under Chapter 15 of the *US Bankruptcy Code*. On October 30, 2013, the US Court entered an order granting provisional relief in aid of the Canadian proceeding, a copy of which is attached as Appendix “B”.
 5. The purpose of these proceedings is to complete a sale transaction for substantially all of the XTG Debtors’ business and assets through a Court supervised sale process (“Sale Process”).

1.1 Purposes of this Report

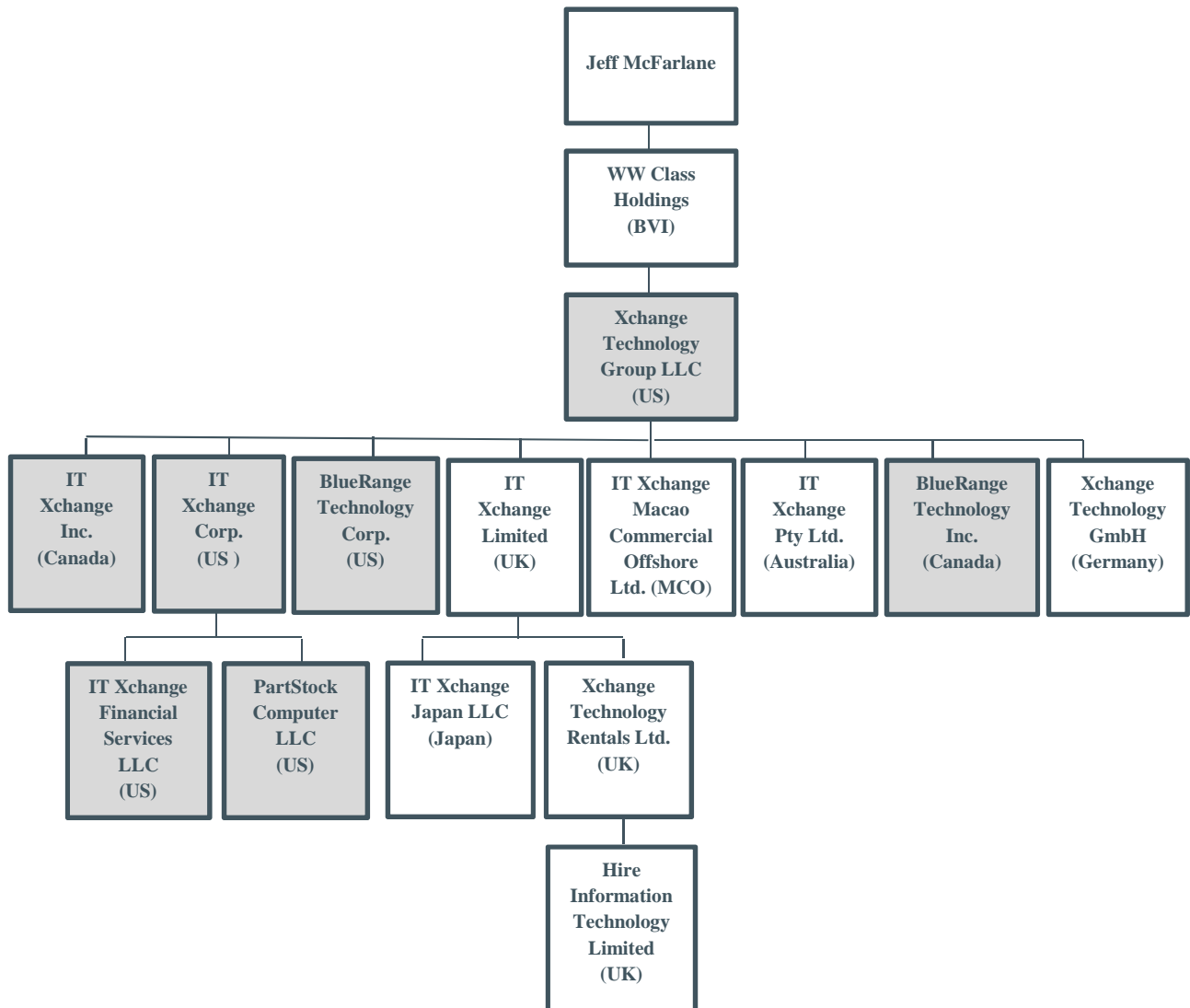
1. The purposes of this report are to:
 - a) Provide background information about the XTG Group;
 - b) Summarize the results of the Sale Process carried out by the Receiver in accordance with the Receivership Order;
 - c) Summarize a transaction (the “Transaction”) between the Receiver and 2393134 Ontario Inc. (the “Purchaser”), an entity incorporated by Callidus Capital Corporation (“Callidus”), the senior secured creditor of the XTG Debtors and the “stalking horse” bidder in the Sale Process, which contemplates the sale to the Purchaser or its nominee(s) of substantially all of the XTG Debtors’ business and assets (the “Purchased Assets”) pursuant to an Asset Purchase Agreement dated October 25, 2013 between the Receiver and the Purchaser (the “Stalking Horse Agreement”);
 - d) Summarize an issue involving Devang Shah (“Shah”), a former Account Executive in the “Partstock” division of the XTG Debtors, in connection with a Non-Disclosure and Non-Solicitation Agreement dated May 1, 2009 between the XTG Debtors and Shah (the “NDSA”);
 - e) Provide an overview of the Receiver’s activities since the commencement of these proceedings; and
 - f) Recommend that this Honourable Court issue an Order vesting title in and to the Purchased Assets in the Purchaser or its nominee(s) free and clear of all liens, claims and encumbrances (the “Vesting Order”).

1.2 Currency

1. All currency references in this Report are to US dollars unless otherwise specified.

2.0 Background Information

1. XTG Group was founded in 1996 in Ontario by Jeff McFarlane (“McFarlane”). XTG Group’s corporate organizational chart is as follows (the XTG Debtors are shaded):



2. XTG Group is a supplier of information technology (“IT”) products with operations in Canada, the United States, the United Kingdom, Germany, Australia, Macao and Japan. XTG Group also provides IT rental assets and programs, including servers, storage devices, laptops and desktop computers.

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3. XTG Group's Canadian and US head offices are located in Oakville, Ontario and Morrisville, North Carolina, respectively. These facilities are leased, as are the other eight North American facilities from which the XTG Debtors currently operate. These other facilities are located in Richmond Hill, Ontario, Minneapolis, Georgia, Washington, Maine, Illinois, Connecticut and California.
 4. At the commencement of the receivership proceedings, XTG Group employed approximately 260 individuals globally. There are presently approximately 242 employees, including 53 in Canada and 97 in the US.
 5. XTG Group's workforce is not unionized; it does not maintain any employee pension plans.
 6. Further background information about XTG Group is provided in the Report of the Proposed Receiver dated October 25, 2013 ("Report of the Proposed Receiver"), a copy of which is attached as Appendix "C", without appendices.

3.0 Sale Process

3.1 Sale Process Overview

1. The Report of the Proposed Receiver provides details of the XTG Group's pre-filing activities to attempt to refinance its business. This included two extensive refinancing processes: one conducted by Canaccord Genuity Corporation ("Canaccord Genuity") and one by KPMG Corporate Finance Inc. ("KPMG"). The targets contacted during the refinancing processes included certain parties that would have had a strategic interest in XTG Group.
2. Paragraph 4 of the Receivership Order authorized and directed the Receiver to accept the Stalking Horse Agreement subject to a Superior Bid (as defined in the Receivership Order) resulting from the Sale Process submitted on or before the bid deadline of November 19, 2013 (the "Bid Deadline").
3. The Sale Process was expedited for four principal reasons: a) the breadth and duration of the pre-filing marketing efforts to identify a party to refinance the XTG Debtors; b) the inability to generate an offer from the refinancing efforts; c) the distressed state of the business; and d) the need to quickly stabilize the business to prevent erosion in stakeholder confidence.
4. Immediately following the granting of the Receivership Order, the Receiver commenced the Sale Process in accordance with the Receivership Order, as follows:
 - The Receiver distributed an interest solicitation letter detailing the acquisition opportunity ("Teaser"). The Teaser included the Receiver's recommendation that bidders submit their offers substantially in the form of the Stalking Horse Agreement;

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- The Teaser was circulated to a list of 88 prospective purchasers developed by the Receiver (the “Buyers List”). The Buyers List was comprised of 30 strategic parties and 58 financial parties, including parties that were previously identified and approached by Canaccord Genuity and/or KPMG. (Further details on the Canaccord Genuity and KPMG processes, including the results thereof, are detailed in the Report of the Proposed Receiver.);
 - Attached to the Teaser was a form of confidentiality agreement (“CA”) that interested parties were required to sign in order to obtain a copy of the XTG Debtors’ confidential information memorandum (“CIM”) and to access an online data room established by the Receiver;
 - The data room established by the Receiver contained historical and projected financial information and other information, including employee data, occupancy leases, supplier and customer information and certain contracts and agreements. Copies of the Stalking Horse Agreement and the CIM were also included in the data room; and
 - The Receiver facilitated due diligence requests from interested parties.

3.2 Sale Process Results

1. The results of the Sale Process are summarized as follows:
 - Three parties executed the CA and were provided access to the data room; and
 - No offers were submitted on or prior to the Bid Deadline.
2. On November 19, 2013, the Receiver advised Callidus that it was the “successful bidder” and that the Receiver would promptly file motion materials to apply for the Vesting Order contemplated by Paragraph 4 of the Receivership Order.

4.0 The Transaction

1. The Transaction was detailed in the Report of the Proposed Receiver and is summarized as follows:
 - Purchased Assets: Substantially all of XTG Debtors’ business and assets, including the shares of the Foreign Affiliates. The most significant excluded assets are the real property leases for the leased premises in Minneapolis, Minnesota and Oakville, Ontario. The XTG Debtors intend to exit these facilities.

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- Purchase Price: To be paid by credit bid and calculated as follows: Callidus debt on closing less \$3 million, plus priority payables. As at the date of this Report, the purchase price would be approximately \$35 million.
 - Assumed Obligations: Purchaser to assume all obligations related to transferred employees, obligations under assumed contracts, priming claims (unless paid in full on or prior to closing) and post-filing obligations incurred from operating the business.
 - Employees: Purchaser intends to offer employment to substantially all of the existing employees, other than the vast majority of the employees of the Partstock business unit, which is in the process of transitioning from Minneapolis to North Carolina, and the BlueRange business unit, which is in the process of being wound down.
 - Representations and warranties: Consistent with insolvency transactions, i.e. to be completed on an “as is, where is” basis without material representations and warranties.
 - Closing: Subject to obtaining the Vesting Order from this Court on November 22, 2013 and the US Court on November 25, 2013, the Receiver expects the Transaction to close in December, 2013.
 - Conditions: Only material condition precedent to closing is approval and issuance of a Vesting Order by this Honourable Court and the US Court. A copy of the Stalking Horse Agreement is attached as Appendix “D”.
 - Transition Services Agreement (“TSA”): To provide for a seamless transition of the XTG Debtors’ business to the Purchaser, the Stalking Horse Agreement contemplates that the Purchaser and the Receiver will enter into a TSA. The TSA will contemplate that, *inter alia*, during the transition period:
 - i. The XTG Debtors will continue to employ those employees who are not hired by the Purchaser at closing until such employees are terminated by the Receiver on behalf of the XTG Debtors in accordance with the Receivership Order;
 - ii. The Receiver will continue to occupy, for use by the Purchaser, the XTG Debtors’ leased premises in Minneapolis and Oakville until such time as those leased premises are no longer required, following which those leases will be disclaimed by the Receiver; and

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- iii. During the transition period, the Purchaser will reimburse the Receiver for all costs incurred by the XTG Debtors in connection with the TSA, including employee costs and rent. The Purchaser is also to indemnify the Receiver for all expenses and liabilities of the Receiver resulting from the Purchaser's actions and/or omissions during the transition period.

4.1 Recommendation

1. The basis for the Receiver's support of the Transaction was set out in the Report of the Proposed Receiver. The Receiver recommends that the Court issue the Vesting Order for similar reasons, including:
 - In the Receiver's view, the Sale Process was commercially reasonable in the circumstances. It was carried out in accordance with the Court-approved Sale Process;
 - Further marketing efforts are unlikely to result in a superior transaction and any delay could jeopardize the ongoing operations of the XTG Debtors;
 - Absent the closing of the Transaction, there would not be funding available to continue the XTG Debtors' operations. A transaction must be completed promptly in order for the business to continue to operate on a going-concern basis. The Transaction also eliminates the uncertainty regarding the status of the business, operations and viability of the XTG Debtors;
 - The Transaction contemplates the continuation of the XTG Debtors' operations and preserves employment for approximately 230 employees of the XTG Group; and
 - The Transaction provides for the greatest recovery available in the circumstances – no other offers were submitted under the Sale Process and the value of the Transaction significantly exceeds the liquidation value of the XTG Debtors' assets. Accordingly, the Receiver believes the Transaction is in the best interests of all relevant stakeholders.
2. The proposed form of Vesting Order contemplates that a Receiver's Certificate will be delivered to the Purchaser on the closing of the Transaction and subsequently filed with the Court, which will, *inter alia*, confirm the names of the entities in which the Purchased Assets have vested. The Receiver believes this provision is required as the organizational structure has not yet been finalized.
3. Based on the foregoing, the Receiver respectfully recommends that this Court grant the proposed Vesting Order.

5.0 Non-Disclosure and Non-Solicitation Agreement

1. The XTG Debtors' restructuring plan contemplates transitioning the Partstock business from its location in Minneapolis to its location in North Carolina. This transition resulted in the XTG Debtors terminating the employment of five members of Partstock's senior management on October 28, 2013.
2. On May 1, 2009, Shah entered into the NDSA, pursuant to which he is prohibited from, *inter alia*, direct and indirect customer solicitation for a period of 12 months following his last day of employment with the XTG Debtors. Until his termination on October 28, 2013, Shah was an Account Executive with frequent contact with customers of the Partstock business unit.
3. The Receiver understands that Shah violated the NDSA prior to his termination by actively soliciting Partstock customers and sending them to a competitor by the name of FireFly Computers LLC, which is non-arm's length to him. In addition, since October 28, 2013, XTG Debtors' Management has advised the Receiver that Shah has continued to violate the NDSA and certain terms of the Receivership Order by continuing to solicit customers of the XTG Debtors.
4. Shah claims, among other things, that the NDSA is unenforceable and that an amendment to the NDSA was entered into on August 3, 2013 (the "Amendment"), pursuant to which the term of the NDSA was reduced from 12 months to two months.
5. The Receiver notes that the Amendment was executed by McFarlane, on behalf of the XTG Debtors, at a time when he did not have authority to bind the XTG Debtors, which the Receiver is advised by management of the XTG Debtors was known or ought to have been known to Shah at that time. McFarlane and Callidus entered into a Withdrawal Agreement dated June 6, 2013 requiring McFarlane to relinquish his management and executive authority (the "Withdrawal Agreement"). Pursuant to the Withdrawal Agreement, the executive and management authority over XTG Group was delegated at that time to Alan Rupp, XTG Group's Chief Financial Officer.
6. In respect of this dispute, the Receiver's counsel and Shah exchanged correspondence dated November 4, 2013, November 7, 2013, November 11, 2013 and November 14, 2013. Copies of this correspondence are attached as Appendix "E".
7. As noted in the correspondence, the Receiver has advised Shah that if he continues to violate the NDSA and/or the Receivership Order, the Receiver intends to seek injunctive or other relief against him.

6.0 Overview of the Receiver's Activities

1. An overview of the Receiver's activities since the date of its appointment is as follows:
 - Carrying out the Receiver's duties and responsibilities in accordance with the Receivership Order;
 - Attending daily at the XTG Debtors' premises in Morrisville, North Carolina and Oakville, Ontario;
 - Attending at the XTG Debtors' premises in Minneapolis, Minnesota on October 29 and 30, 2013 in order to assist the XTG Debtors to implement its transition plan;
 - Corresponding extensively with legal counsel concerning issues with respect to the directorships of the Foreign Affiliates and executing shareholders resolutions in respect thereof;
 - Corresponding with HSBC Bank Canada ("HSBC") in order to remove a "block" on certain bank accounts of the XTG Debtors that was implemented by HSBC prior to the commencement of the receivership proceedings;
 - Assisting the XTG Debtors to prepare a communication strategy that was implemented at the commencement of these proceedings;
 - Reviewing on a daily basis all transactions from the XTG Debtors' bank accounts;
 - Reviewing the XTG Debtors' funding requests submitted to Callidus;
 - Reviewing the XTG Debtors' post-filing purchase orders;
 - Reviewing post-filing disbursements;
 - Assisting the XTG Debtors to compile certain information required for the filing, including creditor listings and schedules to the Stalking Horse Agreement;
 - Attending and participating, either in person or by conference call, at each employee meeting convened on October 29, 2013 and October 30, 2013 for the purpose of explaining the implications of the receivership proceedings to the XTG Group's worldwide employee base;
 - Carrying out the Receiver's statutory obligations, including drafting and filing the Receiver's notice and statement in accordance with subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;

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- Carrying out the Sale Process;
 - Drafting Sale Process materials, including the Teaser, CA and Buyers List;
 - Corresponding with prospective purchasers over the course of the Sale Process, including following up with the parties on the Buyers List in order to confirm their interest, if any;
 - Providing prospective purchasers with access to the data room and facilitating diligence, as required;
 - Assisting the XTG Debtors to prepare financial projections under various scenarios for the period ending December 31, 2014;
 - Corresponding with certain suppliers of the XTG Debtors regarding the supply of goods and services during the receivership proceedings and arranging for continuity of supply with certain suppliers who discontinued service at the outset, including Tech Data Canada Corp. and Federal Express;
 - Corresponding with certain of the XTG Debtors' customers, as required;
 - Dealing with legal counsel in connection with the NDSA breaches detailed in this Report;
 - Corresponding extensively with the Receiver's Canadian and US legal counsel and legal counsel to Callidus;
 - Drafting this Report; and
 - Other matters pertaining to the administration of this mandate.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that this Honourable Court make an order 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 XCHANGE TECHNOLOGY GROUP LLC,
IT XCHANGE INC., IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., IT XCHANGE FINANCIAL SERVICES LLC AND
PARTSTOCK COMPUTER LLC AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

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DATED AT TORONTO THIS 29th DAY OF OCT 20 13
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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Court File No. CV-13-10310-00CL

**THE HONOURABLE MR.
JUSTICE MORAWETZ**

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**TUESDAY, THE 29th DAY
OF OCTOBER, 2013**

BETWEEN:

CALLIDUS CAPITAL CORPORATION

Applicant

- and -

**XCHANGE TECHNOLOGY GROUP LLC, IT XCHANGE FINANCIAL
SERVICES LLC, IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., PARTSTOCK COMPUTER LLC and
IT XCHANGE INC.**

Respondents

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 (the "Receiver") without security, of all of the assets, undertakings and properties of Xchange Technology Group LLC, It Xchange Financial Services LLC, It Xchange Corp., Bluerange Technology Corp., Bluerange Technology Inc., Partstock Computer LLC and It Xchange Inc. (the "Debtors") acquired for, or used in relation to businesses carried on by the Debtors, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Craig Boyer sworn October 25, 2013 and the Report of Duff & Phelps Canada Restructuring Inc. dated October 25, 2013 (the "Report") and on hearing

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DATED AT TORONTO THIS 21ST DAY OF
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the submissions of counsel for Callidus Capital Corporation ("Callidus"), counsel for Duff & Phelps Canada Restructuring Inc., the proposed receiver, and counsel for the Debtors, and on reading 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 Debtors acquired for, or used in relation to businesses carried on by the Debtors, 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 businesses of the Debtors, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease

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to carry on all or any part of the businesses, or cease to perform any contracts of the

- 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 equipment, inventories, supplies, premises or other assets to continue the businesses of the Debtors or any part or parts thereof;
- f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtors and to exercise all remedies of the Debtors in collecting such monies, including, without limitation, to enforce any security held by the Debtors;
- g) to settle, extend or compromise any indebtedness owing to the Debtors;
- 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 Debtors, for any purpose pursuant to this Order;
- i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtors, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- j) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with Court approval and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply ;

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k) 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;

- l) 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;
- m) 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 Debtors;
- n) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtors, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtors;
- o) to exercise any shareholder, partnership, joint venture or other rights which the Debtors may have; and
- p) 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 Debtors, and without interference from any other Person.

THE STALKING HORSE OFFER

4. THIS COURT ORDERS that the Receiver shall be authorized and directed to accept the Asset Purchase Agreement dated October 25, 2013 (the "**Stalking Horse Offer**") signed by 2393134 Ontario Inc. (the "**Purchaser**") pursuant to which the Purchaser has agreed to purchase all of the right, title and interest of the Debtors in and to the assets specified in the Stalking Horse Offer (the "**Purchased Assets**"). If the Receiver does not receive and accept at or before the Bid

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DATED AT TORONTO THIS 29th DAY OF OCT 2013

Deadline (as defined below) a Superior Bid (as defined below) in accordance with the Sale Process, the Receiver is entitled to take all actions or steps necessary to complete the transaction thereunder in accordance with its terms, without further approval of this Court, however the Receiver shall apply for the appropriate Vesting Orders. If the Receiver does receive a Superior Bid at or before the Bid Deadline in accordance with the Sale Process, the Receiver shall apply to the Court for approval of the Superior Bid. A **"Superior Bid"** shall be an offer to purchase the Purchased Assets which the Receiver, acting in its sole discretion, considers at least equivalent to the Stalking Horse Offer, provided that no offer shall qualify as a Superior Bid unless it meets the following minimum criteria:

- a) the offer must be an irrevocable offer;
- b) the offer must be accompanied by a cash deposit which is at least equal to 15% of the aggregate purchase price payable under the offer;
- c) the offer must be for a purchase price at least equal to the Purchase Price, payable in cash on Closing, and otherwise on terms no less favourable and no more burdensome or conditional than the Stalking Horse Offer;
- d) the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction that are not otherwise contained in the Stalking Horse Offer;
- e) the offer must be made by an offeror which can demonstrate the financial ability to complete the transaction; and
- f) the offer must contemplate a closing date of no later than December 31, 2013.

SALES PROCESS

5. The Receiver shall undertake the marketing and sale of the Property, including soliciting offers, and negotiating the terms and conditions of sale, in accordance with the Sales Process and timetable outlined in paragraph 7.2 of the Duff & Phelps Report (the **"Sale Process"**)

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

6. THIS COURT ORDERS that (i) the Debtors, (ii) all of their current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons

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acting on their 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.

7. 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 Debtors, 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 7 or in paragraph 8 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.

8. 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

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providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

DATED AT TORONTO THIS 29 DAY OF OCT 20 13
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NO PROCEEDINGS AGAINST THE RECEIVER

9. 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 DEBTORS OR THE PROPERTY

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtors 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 Debtors or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

11. THIS COURT ORDERS that all rights and remedies against the Debtors, 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 right of Callidus pursuant to paragraph 23 of this Order or 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 Debtors to carry on any business which the Debtors is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtors 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

12. 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 Debtors, without written consent of the Receiver or leave of this Court.

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DATE AT TORONTO THIS 27 JANUARY 2013

13. **CONTINUATION OF SERVICES**

13. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtors 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 Debtors 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 Debtors' 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 Debtors 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

14. **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 the sale of all or any of the Property, 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

15. **THIS COURT ORDERS** that all employees of the Debtors shall remain the employees of the Debtors until such time as the Receiver, on the Debtors' 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

Protection Program Act.

16. 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 Debtors, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

17. 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

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DATED AT TORONTO THIS 29 DAY OF OCT 2013

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

18. 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

19. 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, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. 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.

21. 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 their remuneration and disbursements when and as approved by this Court.

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FUNDING OF THE RECEIVERSHIP

22. THIS COURT ORDERS that the Debtors or the Receiver on behalf of the Debtors and not in its personal capacity is hereby authorized and empowered to continue to obtain and borrow, repay and re-borrow, additional monies under an Amended and Restated Loan Agreement dated October 11, 2012 among the Debtors and Callidus (as later amended from time to time, the "Loan Agreement"), subject to and in accordance with blocked account agreements between the Debtors, Callidus, Bank of Montreal and any other financial institution used by the Debtors in their cash management system (the "Blocked Account Agreements"), in order to finance the Debtors' operating expenses and the reasonable fees and disbursements of the Receiver and its legal counsel, all on the terms and subject to the conditions set forth in the Loan Agreement and the Blocked Account Agreements or such other terms and conditions as Callidus shall agree.

23. THIS COURT ORDERS that the Debtors or the Receiver on behalf of the Debtors and not in its personal capacity is hereby authorized and directed to pay all of its indebtedness, interest, fees, liabilities and obligations to Callidus under and pursuant to the Loan Agreement and in accordance with the Blocked Account Agreements when the same become due notwithstanding any other provision of this Order, provided that Callidus shall reimburse the Receiver any monies received by Callidus which it may not have been entitled to pursuant to any liens, charges, security interests or other claims having priority over Callidus' security.

24. THIS COURT ORDERS that, in addition to advances in accordance with availability under the Loan Agreement, the Receiver on behalf of the Debtors be at liberty and it is hereby empowered to borrow monies from Callidus in excess of availability under the Loan Agreement (hereafter "Overadvances") on the terms and at the rate of interest set out in the Loan Agreement for such period or periods of time as the Receiver may arrange with Callidus, for the purpose of payment of the Debtors operating expenses and the reasonable fees and disbursements of the Receiver and its legal counsel.

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25. 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.

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

27. 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.

28. 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.

29. THIS COURT ORDERS that the Applicant shall have its costs of this application, 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 Debtors' estates with such priority and at such time as this Court may determine.

30. 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.

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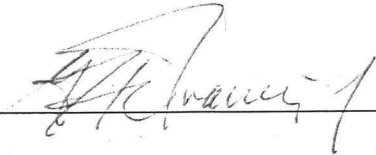
THIS COURT ORDERS that confidential appendices 1, 2, 3 and 5 to the Report be and are hereby sealed pending further Order of this Court.

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OCT 29 2013



CALLIDUS CAPITAL CORPORATION
Applicant

-and-

XCHANGE TECHNOLOGY GROUP LLC
Respondents

Court File No. CV-13-10310-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

PROCEEDING COMMENCED AT
TORONTO

ORDER

DICKINSON WRIGHT LLP

Barristers & Solicitors

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Lawyers for the applicant

CITATION: Callidus Capital Corporation v. Xchange Technology Group LLC, 2013 ONSC 6783

COURT FILE NO.: CV-13-10310-00CL

DATE: 20131030

SUPERIOR COURT OF JUSTICE – ONTARIO

(COMMERCIAL LIST)

RE: CALLIDUS CAPITAL CORPORATION, Applicant

AND:

XCHANGE TECHNOLOGY GROUP LLC, IT XCHANGE FINANCIAL SERVICES LLC, IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP., BLUERANGE TECHNOLOGY INC., PARTSTOCK COMPUTER LLC AND IT XCHANGE INC., Respondents

BEFORE: MORAWETZ J.

COUNSEL: J. Leslie and L. Corne, for the Applicant

H. Chaiton, for Duff & Phelps Canada Restructuring, Inc. (Proposed Receiver)

G. Maguire, for the Respondents

P. Guy and S. McGrath, for Jeffrey McFarlane

HEARD &

ENDORSED: OCTOBER 29, 2013

REASONS: OCTOBER 30, 2013

ENDORSEMENT

- [1] This application was brought by Callidus Capital Corporation (“Callidus”) for an order:
- (a) appointing Duff & Phelps Canada Restructuring, Inc. (“Duff & Phelps”) as Receiver of the respondents;
 - (b) approving the Asset Purchase Agreement dated October 25, 2013 between Duff & Phelps, as Proposed Receiver and 2393134 Ontario Inc., a company owned and controlled by Callidus, as purchaser; and

(c) approving a stalking horse process to be conducted by Duff & Phelps.

[2] The respondents (hereinafter, collectively, the "XTG Debtors") a part of a group of companies which carry on business as a highly integrated global supplier of information technology products (collectively, the "XTG Group"). The XTG Group has approximately 263 employees globally, including 57 in Canada.

[3] The XTG Group operates the following three business units:

- (a) Technology Remarketing, which operates in the secondary market and provides customers with refurbished hardware and systems;
- (b) Technology Rentals, which provides short-term rentals of IT and audio-visual equipment and services; and
- (c) Technology Reseller, which operates in the primary market and provides life-cycle management and computer systems design for specific control functions.

[4] The XTG Debtors include two Ontario corporations which carry on business and have assets in Canada, and five U.S. corporations, each of which has assets in Canada.

[5] Certain aspects of the XTG Debtors' business are centred in Ontario and Callidus submits that the XTG Debtors have the following substantial connections to Ontario:

- (a) the XTG Group was founded in Canada;
- (b) certain executives of the XTG Group maintain an office in Oakville, Ontario;
- (c) the bulk of the "back office" or support functions for the entire XTG Group are centralized and performed from Oakville, Ontario;
- (d) the accounting and finance functions for the XTG Group's worldwide operations are performed in Canada;
- (e) human resource functions of the XTG group are centralized and managed from Oakville, Ontario;
- (f) the XTG Group maintains deposit accounts which are generally swept to either a U.S. or Canadian dollar consolidation account maintained by Callidus at Bank of Montreal and applied against the Callidus debt;
- (g) IT Xchange Inc. and BlueRange Technology Inc., being the Canadian operating entities in the XTG Group, represent approximately \$15 million (15%) of the XTG Group's annual volume. Trade obligations of the Canadian entities presently total approximately \$1.4 million, or approximately 32% of the total trade debt of the XTG Group.

[6] Pursuant to an Amended and Restated Loan Agreement dated October 11, 2012 (as amended, the "Loan Agreement"), Callidus extended various credit facilities to the XTG Group. The XTG Group is indebted to Callidus as of October 24, 2013 in the amount of approximately \$36.97 million (U.S.). The XTG Group's obligations to Callidus are secured by perfected security interest, and charges upon all the property, assets and undertaking of the XTG Group, generally ranking in first priority.

[7] Following numerous defaults by the XTG Debtors pursuant to the Loan Agreement, on July 26, 2013, Callidus issued a demand for payment in full of the XTG Group's obligations and issued notices pursuant to section 244 of the *Bankruptcy and Insolvency Act* ("BIA").

[8] At the request of the XTG Group, Callidus entered into a forbearance agreement dated August 3, 2013 (the "Forbearance Agreement"), pursuant to which it agreed to forbear from exercising its rights and remedies until August 15, 2013. The Forbearance Agreement was amended so as to extend the forbearance period until September 4, 2013 or was terminated at that time.

[9] Pursuant to the Forbearance Agreement, the XTG Debtors consented to the appointment of Duff & Phelps as Receiver upon the occurrence of any termination event. The termination event and events of default under the Forbearance Agreement occurred on September 4, 2013, when the XTG Group failed to repay its indebtedness to Callidus, thereby triggering the consent of the XTG Debtors to the appointment of Duff & Phelps as Receiver.

[10] The record establishes that the XTG Debtors are insolvent, on both a balance sheet and cash flow basis and are unable to make payments of their liabilities to Callidus or other creditors generally.

[11] The record also establishes that since February 2013, the XTG Group, together with its professional advisors, has been conducting a refinancing solicitation process. No refinancing offers were generated.

[12] The record also establishes that, based on the results of the recent refinancing efforts and the liquidation analysis of the XTG Group's assets prepared Duff & Phelps, it appears that, if the XTG Group's businesses and assets are liquidated or sold to a third party, Callidus will incur a substantial shortfall such that there is no value for creditors ranking subordinate to Callidus.

[13] Callidus takes the position that, rather than incur a loss in the recovery of its loans, it would prefer to restructure the XTG Group's businesses and assets, with a view to improving its recovery in the future. In the anticipation of this application, a newly incorporated company owned and controlled by Callidus, executed and delivered the Stalking Horse Offer. The Stalking Horse Offer covers all of XTG Group's business and assets, including the shares of the foreign affiliates. The purchase price would be the amount owing to Callidus by the XTG Group at the date of closing, plus priority payable as of the date of closing, less \$3 million. The purchase price will be satisfied, in part, by credit bid and, in part, by payment or assumption of priority payables.

[14] The purchaser also agrees to assume all obligations related to Transferred Employees, obligations under Assumed Contracts, priming claims (unless paid in full on or prior to closing)

and post-filing obligations incurred from operating the business during the receivership proceedings. Further, the purchaser intends to offer employment to the majority of the existing employees on terms substantially similar to their existing employment.

[15] The proposed Stalking Horse process to be conducted by the Receiver includes a further marketing by the Receiver of the XTG Debtors businesses and assets for a period of three weeks. Duff & Phelps is of the view that, given the extensive refinancing solicitation process recently conducted by the XTG Group and its professional advisors, the proposed additional three week time period will provide ample opportunity for any interested persons to submit a superior bid.

[16] Under section 243 of the BIA and section 101 of the *Courts of Justice Act*, the court may appoint a receiver over all or, substantially all, of the assets of an insolvent person where it is just or convenient to do so, and on such terms as it may consider just.

[17] In the circumstances of this case, I accept the submissions of counsel to Callidus that the appointment is both just and convenient as it will:

- (a) facilitate the cross-border sale transaction by authorizing the Receiver to apply to the United States Bankruptcy Court under Chapter 15 of the *United States Bankruptcy Code* for recognition and enforcement of the orders granted by this court;
- (b) prevent the XTG Debtors and numerous creditors from continuing with or commencing enforcement proceedings, which will interfere with an orderly realization process;
- (c) bring stability to the XTG Group's ongoing operation so as to facilitate and orderly restructuring and realization process; and
- (d) permit the XTG Group's business operations to continue, and prevent significant loss of jobs, in the interests of stakeholders generally, including employees, customers and suppliers.

[18] Counsel to Callidus also submits that the appointment of a Receiver over the U.S. corporations is permissible. The term "insolvent person" is defined in the BIA as follows:

"Insolvent person" means a person who is not bankrupt and who resides, carries on business or has property in Canada, whose liabilities to creditor is provable as claims under this Act amount to \$1,000, and....

[19] In this case, the U.S. respondents have consented to the jurisdiction of Ontario and there appears to be a "real and substantial" connection between Ontario and the integrated businesses carried on by the respondents, as a whole. In addition, the U.S. respondents have minimal assets in Canada and, thus, have technically complied with the definition of "insolvent person". On balance, I am satisfied that it is appropriate for the Ontario court to exercise jurisdiction in the circumstances of this case.

[20] Callidus also seeks approval of the Stalking Horse Offer and the Sales Process.

[21] The criteria to be applied when considering the approval of a sale by a receiver are well established, and may be summarized as follows:

- (a) whether the receiver has made a sufficient effort to get the best price and has not acted improvidently;
- (b) whether the interests of all parties have been considered;
- (c) the efficacy and integrity of the process by which offers are obtained; and
- (d) whether there has been unfairness in the working out of the process (See *Royal Bank of Canada v. Soundair Corporation*, (1991) 4 O.R. (3d) 1 (Ontario C.A.)).


[22] In this case, counsel submits that the sale of the XTG Debtors' assets as contemplated by the proposed Stalking Horse Offer and Sales Process should be approved for the following reasons:

- (a) the XTG Group has recently conducted an extensive refinancing solicitation process;
- (b) notwithstanding that process, no financing offers were generated and only one conditional Letter of Intent to purchase the business and assets of the XTG Group was obtained, at a purchase price substantially less than the amount owing to Callidus;
- (c) in light of the results of the solicitation process, it appears that the realizable value of the XTG Group's business and assets is significantly below the amount owing to Callidus, such that there is no value for creditors having an interest subordinate to Callidus;
- (d) pursuant to the Stalking Horse Offer, all obligations of the XTG Debtors ranking in priority to Callidus will be assumed by the purchaser or paid in full at closing;
- (e) the Stalking Horse Offer will prevent the loss of significant jobs; and
- (f) in the absence of approval of the proposed sales process, the XTG Debtors will not have sufficient liquidity to continue to operate which will be to the detriment of all stakeholders, including employees, customers and suppliers.

[23] Callidus also seeks to have confidential appendices 1, 2, 3 and 5 to the Report (the "Confidential Appendices") sealed, pending completion of a sales transaction or further order. I am satisfied that the Confidential Appendices do contain sensitive commercial information, the disclosure of which could be harmful to stakeholders. Having considered the principles set out *Sierra Club of Canada v. Canada (Minister of Finance)* 2002 SCC 41, I have been persuaded that the requested sealing order should be granted.

[24] In the result, an order shall issue appointing Duff & Phelps as Receiver of the XTG Debtors and an order shall also issue approving, authorizing and directing the Receiver to accept the Stalking Horse Offer and carry out the Stalking Horse Sales Process as described in the Report. As previously noted, an order shall also issue sealing the Confidential Appendices.

[25] The order has been signed.


MORAWETZ J.

Date: October 30, 2013

Appendix “B”

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re:

XCHANGE TECHNOLOGY GROUP LLC, *et al.*,

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 13-12809 (KG)

(Jointly Administered)

Re DKT #8

**ORDER GRANTING PROVISIONAL RELIEF
IN AID OF CANADIAN PROCEEDING**

THIS MATTER was brought before the Court by Duff & Phelps Canada Restructuring Inc., the court-appointed receiver (the “**Receiver**”) and authorized foreign representative of Xchange Technology Group LLC and certain of its direct and indirect subsidiaries, BlueRange Technology Corp., BlueRange Technology Inc., IT Xchange Corp., IT Xchange Financial Services LLC, I.T. Xchange Inc., and Partstock Computer LLC (collectively, the “**XTG Debtors**”). The XTG Debtors are in a proceeding (the “**Canadian Proceeding**”) under Canada's *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, pending before the Ontario Superior Court of Justice, Commercial List (the “**Ontario Court**”). The Receiver commenced the above-captioned cases (the “**Chapter 15 Cases**”) under chapter 15 of title 11 of the United States Code (as amended, the “**Bankruptcy Code**”) with the filing of *Verified Petitions for Recognition of Foreign Proceeding and Related Relief* on October 29, 2013 (the “**Chapter 15 Petitions**”).

The Receiver filed a *Motion for Provisional Relief* on October 29, 2013 (the “**Motion**”)¹ seeking the entry of an order (i) staying execution against the XTG Debtors’ assets in the United States pursuant to section 1519(a)(1) of the Bankruptcy Code and (ii) applying

¹ Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Motion.

sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases on a provisional basis pursuant to sections 105(a), 1519, and 1521 of the Bankruptcy Code.

At a hearing held on October 30, 2013, the Court considered and reviewed the Motion, the Chapter 15 Petitions, and the other pleadings and exhibits submitted by the Receiver in support of the Motion. Any objections to the Motion that have not been withdrawn or resolved have been overruled.

After due deliberation and sufficient cause appearing therefore, the Court finds and concludes as follows:

- A. The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.
- B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012*. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P) and the Court may enter a final order consistent with Article III of the United States Constitution. Venue for this proceeding is proper before this Court pursuant to 28 U.S.C. § 1410(3).
- C. The Receiver has demonstrated a substantial likelihood of success on the merits that (i) the XTG Debtors are subject to a pending "foreign nonmain proceeding" as that term is defined in section 1502(5) of the Bankruptcy Code; (ii) the Receiver is a "foreign representative" as that term is defined in 101(24) of the Bankruptcy Code; and (iii) all statutory elements for recognition of the Canadian Proceeding are satisfied in accordance with section 1517 of the Bankruptcy Code.
- D. The Receiver has demonstrated that (i) the commencement of any proceeding or action against the XTG Debtors and their respective businesses and assets should be enjoined pursuant to sections 105(a), 1519, and 1521 of the Bankruptcy Code; (ii) that the application of sections 362 and 365(e) of the Bankruptcy Code in these Chapter 15 Cases is necessary to permit the fair and efficient administration of the Canadian Proceeding and to allow the Receiver to consummate an orderly sale of the assets of the XTG Debtors; and (iii) the relief requested will not cause

either an undue hardship nor create any hardship to parties in interest that is not outweighed by the benefits of the relief granted herein.

- E. The Receiver has demonstrated that unless this Order is issued, there is a material risk that one or more parties in interest may take action against the XTG Debtors and their respective businesses and assets, thereby interfering with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code and causing harm to the Receiver's effort to consummate a sale and maximize the value of the XTG Debtors' assets. As a result, the XTG Debtors will suffer immediate and irreparable harm for which they will have no adequate remedy at law and therefore it is necessary that the Court grant the relief requested without prior notice to parties interest or their counsel.
- F. Further, unless this Order issues, the assets of the XTG Debtors located in the United States could be subject to efforts by creditors to control, possess, or execute upon such assets and such efforts could result in the XTG Debtors suffering immediate and irreparable injury, loss, or damage by, among other things, (i) interfering with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code; and (ii) interfering with or undermining the success of the Canadian Proceeding and the XTG Debtors' efforts to pursue and consummate a going-concern sale of their businesses for the benefit of all their stakeholders.
- G. The Receiver has demonstrated that without the protection of section 365(e) of the Bankruptcy Code, there is a material risk that counterparties to certain of the XTG Debtors' agreements may take the position that the commencement of the Canadian Proceeding authorizes them to terminate such contract or accelerate obligations thereunder. Such termination or acceleration, if permitted and valid, could severely disrupt the XTG Debtors' operations, result in irreparable damage to the value of the XTG Debtors' businesses, and cause substantial harm to the XTG Debtors' creditors and other parties in interest.
- H. The Receiver has demonstrated that no injury will result to any party that is greater than the harm to the XTG Debtors' businesses, assets, and property in the absence of the requested relief.
- I. The interests of the public will be served by entry of this Order.

NOW, THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

- 1. The Motion is granted.
- 2. While this Order is in effect, sections 362 and 365(e) of the Bankruptcy Code shall apply in these Chapter 15 Cases, and this Order shall operate as a stay of execution against

the XTG Debtors and their respective businesses and assets within the territorial jurisdiction of the United States pursuant to section 1519(1) of the Bankruptcy Code. Specifically, all persons and entities are hereby enjoined from (a) continuing any action or commencing any additional action involving the XTG Debtors, their assets, or the proceeds thereof, or their former, current, or future directors and officers; (b) enforcing any judicial, quasi-judicial, administrative, or regulatory judgment, assessment, order, or arbitration award against the XTG Debtors or their respective assets; (c) commencing or continuing any action to create, perfect, or enforce any lien, setoff, or other claim against the XTG Debtors or their respective assets; or (d) managing or exercising control over the XTG Debtors' assets located within the territorial jurisdiction of the United States except as expressly authorized by the XTG Debtors in writing.

3. Notwithstanding anything to the contrary contained herein, this Order shall not be construed as (a) enjoining the police or regulatory act of a governmental unit, including a criminal action or proceeding, to the extent not stayed under section 362 of the Bankruptcy Code; (b) staying the exercise of any rights that section 362(o) of the Bankruptcy Code does not allow to be stayed; or (c) limiting, abridging, or otherwise affecting the rights afforded to Callidus pursuant to paragraphs 22-24 of the Receivership Order or the XTG Debtors' authorizations to make all necessary payments as may be or may come due and owing under the Loan Agreement

4. Any party in interest may make a motion seeking relief from, or modification of, this Order, by filing a motion on not less than seven (7) business days' written notice to (i) counsel for the Receiver, and (ii) counsel for Callidus, and the Court will hear such motion on a date to be scheduled by the Court. Notices to counsel for the Receiver should be addressed to Allen & Overy LLP, 1221 Avenue of the Americas, New York, New York 10020, Attention:

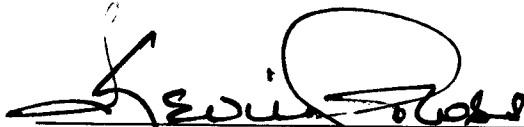
Ken Coleman and Jonathan Cho, and Buchanan Ingersoll & Rooney, 1105 N. Market Street Suite 1900, Wilmington, DE 19801, Attention: Mary Caloway. Notices to counsel for Callidus should be addressed to Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Attention: Matthew Lunn.

5. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (i) this Order shall be effective immediately and enforceable upon entry; (ii) the Receiver shall not be subject to any stay in the implementation, enforcement, or realization of the relief granted in this Order; and (iii) the Receiver is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order.

6. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant to Bankruptcy Rule 7065, no notice to any person is required prior to entry and issuance of this Order. Pursuant to Bankruptcy Rule 7065, the provisions of Rule 65(c) of the Federal Rules of Civil Procedure are hereby waived, to the extent applicable. Notice of the Motion as set forth therein is adequate and sufficient service and notice of the Motion and this Order, and no other or further notice need be provided.

7. This Court shall retain jurisdiction with respect to any and all matters relating to the interpretation or implementation of this Order.

Dated: Wilmington, Delaware
October 30, 2013


UNITED STATES BANKRUPTCY JUDGE

Appendix “C”

**Report of
Duff & Phelps Canada Restructuring Inc.
as Proposed Receiver of
Xchange Technology Group LLC,
IT Xchange Inc., IT Xchange Corp.,
BlueRange Technology Corp.,
BlueRange Technology Inc.,
IT Xchange Financial Services LLC and
Partstock Computer LLC**

October 25, 2013

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COURT FILE NO: CV-11-9498-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

CALLIDUS CAPITAL CORPORATION

APPLICANT

- AND -

XCHANGE TECHNOLOGY GROUP LLC, IT XCHANGE INC.,
IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., IT XCHANGE FINANCIAL SERVICES LLC AND
PARTSTOCK COMPUTER LLC

RESPONDENTS

REPORT OF
DUFF & PHELPS CANADA RESTRUCTURING INC.
AS PROPOSED RECEIVER

OCTOBER 25, 2013

1.0 Introduction

1. Duff & Phelps Canada Restructuring Inc. ("D&P") was retained by Xchange Technology Group LLC on August 22, 2013 to provide restructuring and related advisory services in connection with, *inter alia*, Xchange Technology Group LLC, IT Xchange Inc., IT Xchange Corp., BlueRange Technology Corp., BlueRange Technology Inc., IT Xchange Financial Services LLC and Partstock Computer LLC (collectively, the "XTG Debtors"), as well as the business and operations of the entities listed in paragraph 2 below.
2. The XTG Debtors exclude the following foreign affiliates: IT Xchange Limited (UK); IT Xchange Japan LLC (Japan); Hire Information Technology Ltd. (UK); Xchange Technology Rentals Ltd. (UK); IT Xchange Macao Commercial Offshore Ltd. (Macao); IT Xchange Pty Ltd. (Australia); and Xchange Technology GmbH (Germany) (collectively, the "Foreign Affiliates" and with the XTG Debtors, the "XTG Group").

-
3. Callidus Capital Corporation (“Callidus”), the senior secured creditor of the XTG Debtors, has brought an application to the Ontario Superior Court of Justice (the “Ontario Court”) for:
 - a. an order (the “Receivership Order”) appointing D&P as receiver (“Receiver”) over all of the property, assets and undertaking of the XTG Debtors pursuant to Subsection 243(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3, as amended (“BIA”), and Section 101 of the Courts of Justice Act R.S.O. 1990, c. C.43, as amended;
 - b. an order approving an agreement of purchase and sale dated October 25, 2013 (the “Sale Agreement”) as the stalking horse (“Stalking Horse Offer”) for the sale of substantially all of the XTG Debtors’ business and assets by the Receiver, if appointed, to 2393134 Ontario Inc., an entity incorporated by Callidus (the “Purchaser”); and
 - c. an order approving the Sale Process (as defined in Section 7.2 below), and declaring the Purchaser to be the “successful bidder” in the Sale Process absent a better offer being generated from the Sale Process.
 4. The primary purpose of the contemplated receivership proceedings is to expeditiously carry out the Sale Process in order to complete a sale of substantially all of the XTG Debtors’ business and assets.
 5. The Receivership Order contemplates that the Receiver would act as foreign representative (“Foreign Representative”) for the purpose of seeking an order from the US Bankruptcy Court in Delaware (the “US Court”) recognizing the receivership proceedings as a foreign “non-main” proceeding and enforcing the Orders of the Ontario Court made in these proceedings.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) Provide background information about XTG Group, including an overview of its historic operating results and current financial position;
 - b) Detail XTG Group’s connections to Canada;
 - c) Summarize XTG Group’s refinancing processes performed by Canaccord Genuity Corporation (“CG”) pursuant to an engagement letter dated May 23, 2013 (the “CG Process”) and by KPMG Corporate Finance Inc. (“KPMG”) pursuant to an engagement letter dated February 7, 2013 (the “KPMG Process”);
 - d) Summarize the proposed Sale Process and the terms of the Stalking Horse Offer;

-
- e) Summarize the opinions prepared by Chaitons LLP (“Chaitons”) and Moore & Van Allen PLLC (“MVA”) on the security granted by XTG Group to Callidus in Canada (the “Canadian Security”) and in the US (the “US Security”), respectively;
 - f) Provide an analysis of the estimated realizable value of XTG Group’s business and assets in a liquidation;
 - g) Summarize the reasons that D&P believes that the Sale Process maximizes the value of the XTG Debtors’ business and assets and is in the best interests of its stakeholders;
 - h) Support the continued use of the XTG Debtors’ cash management system; and
 - i) Recommend that this Honourable Court issue Orders:
 - Placing the XTG Debtors in receivership;
 - Approving the Sale Process and authorizing and directing the Receiver to conduct the Sale Process on the basis detailed herein;
 - Approving the Stalking Horse Offer and declaring the Purchaser to be the “successful bidder” under the Sale Process absent a better offer being generated from the Sale Process; and
 - Sealing the Confidential Appendices to this Report, subject to further order of this Court.

1.2 Restrictions

1. In preparing this Report, D&P has relied upon unaudited financial information prepared by XTG Group’s management, XTG Group’s books and records and discussions with its management. D&P has not performed an audit or other verification of such information. An examination of the XTG Group’s financial forecasts as outlined in the *Canadian Institute of Chartered Accountants Handbook* has not been performed. Future-oriented financial information relied upon in this Report is based on management’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

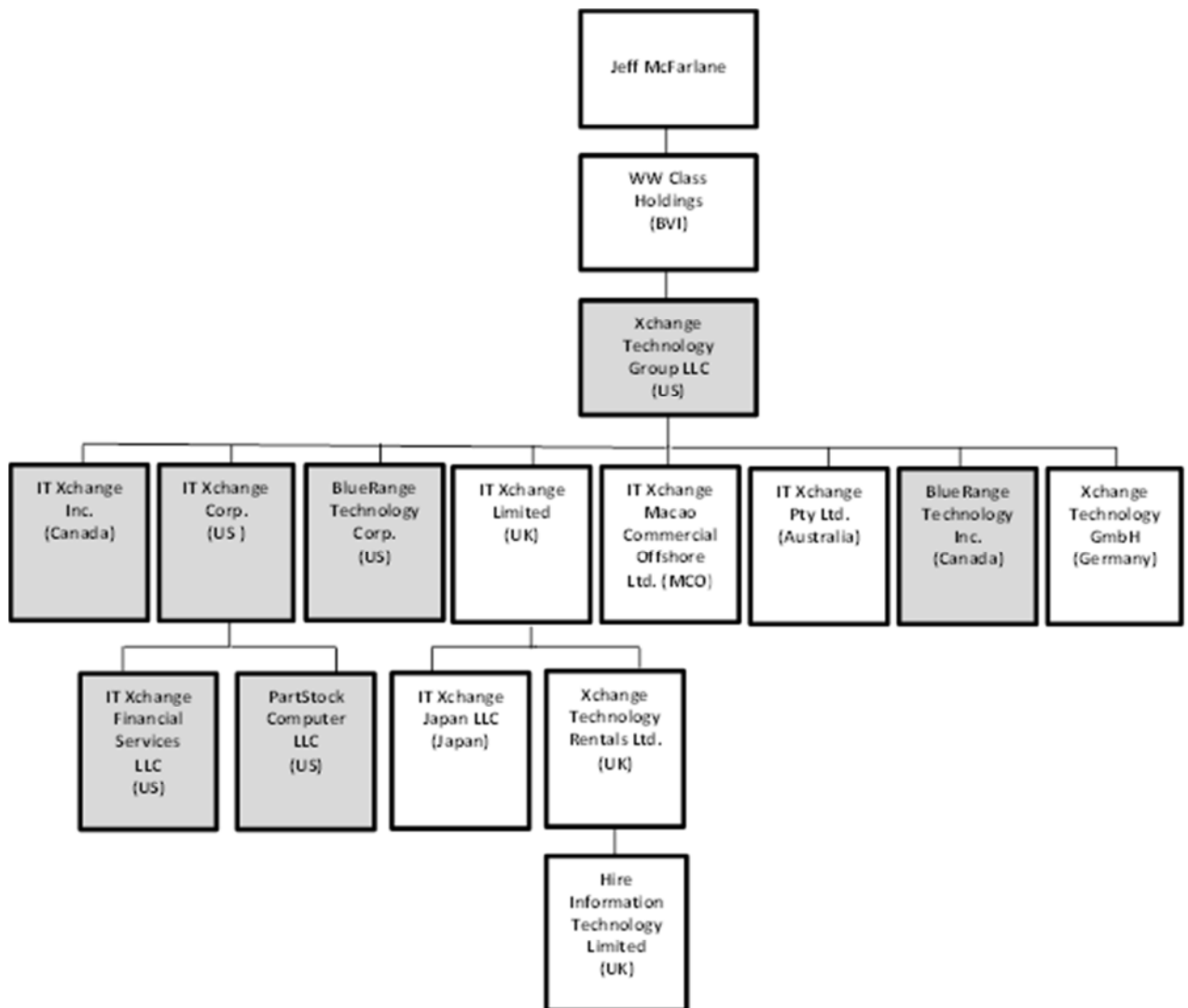
1.3 Currency

1. All currency references in this Report are to US dollars unless otherwise specified.

2.0 Background Information

2.1 Corporate Overview

1. XTG Group was founded in 1996 in Ontario by its ultimate shareholder, Jeff McFarlane (“McFarlane”). XTG Group’s corporate organizational chart is provided in the following chart (the XTG Debtors are shaded):



2. XTG Group is a supplier of information technology (“IT”) products with operations in Canada, the United States, the United Kingdom, Germany, Australia, Macao and Japan. XTG Group also provides IT rental assets and programs, including servers, storage devices, laptops and desktop computers.

3. The table below details the lines of business performed by each of the XTG Debtors' business units. Business units cross corporate entities, as reflected in the table.

Business Unit	Legal Entities	Line of Business
ITX	IT Xchange Inc., IT Xchange Corp. and Foreign Affiliates	Distributor of Intel-based server systems and serves a wide variety of end-users in the secondary market
Partstock	IT Xchange Corp.	Distributor of IT products to the education segment, including kindergarten to grade 12 schools
Vernon	IT Xchange Financial Services LLC	Short term rental of IT products
BlueRange	BlueRange Technology Inc. and BlueRange Technology Corp.	Providing IT equipment for embedded solutions providers in the primary market

4. The place of incorporation and location(s) of each of the XTG Debtors is provided in the table below.

Entity	Place of Incorporation	Location of Operations
Xchange Technology Group, LLC	Delaware, USA	-
IT Xchange Inc.	Ontario, Canada	Canada
IT Xchange Corp. ¹	North Carolina, USA	USA
BlueRange Technology Corp.	Delaware, USA	USA
BlueRange Technology Inc.	Ontario, Canada	Canada
IT Xchange Financial Services LLC	Delaware, USA	Canada and USA
Partstock Computer LLC	Delaware, USA	-

5. XTG Group's Canadian and US head offices are located in Oakville, Ontario and Raleigh, North Carolina, respectively. These facilities are leased, as are the eight other North American facilities from which the XTG Debtors operate. These other facilities are located in Richmond Hill, Ontario, Minneapolis, Georgia, Washington, Maine, Illinois, Connecticut and California.
6. The XTG Debtors include five US entities, each of which has assets in Canada, as more fully detailed in Section 2.2 below.
7. XTG Group employs approximately 260 individuals globally, including 57 in Canada. XTG Group's workforce is not unionized; it does not maintain any employee pension plans.
8. Further background information about XTG Group is provided in the affidavit of Craig Boyer, a Vice-President of Callidus (the "Affidavit"), included in the receivership application materials filed by Callidus.

¹ Includes the business unit referred to as "Partstock". Partstock Computer LLC is inactive and does not carry on the Partstock business.

2.2 Connections to Canada

1. XTG Group's connections to Canada, include:

- It was founded in Canada by McFarlane – he presently resides in North Carolina. McFarlane maintains an office at the Oakville, Ontario location, which is used by Alan Rupp (“Rupp”), XTG Group’s Chief Financial Officer, when he is in Oakville;
- The Canadian XTG Debtors carry on business in Canada and each of the US entities of the XTG Debtors has assets in Canada, as detailed in the table below:

US Entity	Assets in Canada
Xchange Technology Group, LLC	Bank accounts
IT Xchange Corp.	Accounts receivable, inventory and fixed assets
BlueRange Technology Corp.	Inventory and fixed assets
IT Xchange Financial Services LLC	Bank accounts, accounts receivable and inventory
Partstock Computer LLC	Cash

- The Chief Operating Officer of XTG Group works at the Oakville premises;
- The accounting and finance functions for XTG Group’s operations are performed in Canada. The finance group is comprised of 20 employees, each of whom works from the Oakville premises, including the Controller. This group prepares internal financial statements and other financial/accounting reports for each entity in XTG Group, including the Canadian entities, the US entities and the Foreign Affiliates;
- The majority of XTG Group’s administrative functions, including general accounting and financial reporting, are performed in Canada;
- The majority of XTG Group’s books and records are located and maintained at the Oakville premises;
- The human resource function is centralized and managed from Oakville;
- Payroll is processed from Oakville for XTG Group’s US and Canadian operating entities;

-
- Callidus, being XTG Group's senior secured creditor, is based in Toronto, Ontario. The Credit Agreement includes a clause entitled "Consent to Jurisdiction" which states:

"The Borrowers and Lender hereby irrevocably submit, as elected by Lender, to the non-exclusive jurisdiction of any United States Federal Court or North Carolina state court sitting in Wake County, North Carolina, or any Federal Court of Canada or provincial court of Ontario sitting in Toronto, Ontario in any action or proceeding arising out of or relating to this Agreement or any of the Credit Documents and the Borrowers and Lender hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in any such United States Federal Court, North Carolina state court, Federal Court of Canada or provincial court of Ontario."

- XTG Group maintains several bank accounts in Canada. The cash in the deposit accounts is generally swept to either a USD or CAD consolidation account maintained by Callidus at Bank of Montreal;
- The operations of certain of XTG Group's US entities are integrated with certain of the Canadian operations. For example, a portion of the sales of IT Xchange Corp., a US debtor, are shipped from the Oakville premises. IT Xchange Corp. and IT Xchange Inc., a Canadian debtor, share inventory and fulfill orders based on availability of inventory. In addition, when rental assets of IT Xchange Financial Services LLC, a US debtor, come off of rental, they are sold (on an intercompany basis) to either IT Xchange Inc. (a Canadian debtor) or IT Xchange Corp. (a US debtor) for resale by those entities; and
- IT Xchange Ltd. and BlueRange Technology Inc., being the Canadian operating entities in the XTG Group, represent approximately \$15 million (15%) of the XTG Group's annual volume. Trade obligations of the Canadian entities presently total approximately \$1.8 million, or approximately 30% of the total trade debt of XTG Group, and the Canadian operations employ 57 individuals.

2.3 Management Authority/Capacity

1. On August 3, 2013, XTG Group and Callidus entered into a Forbearance Agreement ("Forbearance Agreement"). The agreement was extended on August 16, 2013 and the forbearance period expired on September 4, 2013; it has not since been extended.
2. As part of the Forbearance Agreement, McFarlane and Callidus entered into a Withdrawal Agreement dated June 6, 2013 requiring McFarlane to relinquish his management and executive authority (the "Withdrawal Agreement"). A copy of the Withdrawal Agreement is attached as Appendix "A".

3. Pursuant to the Withdrawal Agreement, the executive and management authority over XTG Group was delegated to Rupp.
4. Although the Withdrawal Agreement is dated June 6, 2013, it didn't become effective until August 3, 2013, the date on which the Forbearance Agreement was settled. Rupp has performed an executive leadership role since that time.

2.4 Historical Operating Results

1. The table below reflects the historical consolidated financial results of XTG Group since 2010.

	(\$000s)			
	Year Ended December 31,			(Unaudited) Seven Months Ended July 31, 2013
	(audited) 2010	(audited) 2011	(unaudited) 2012	
Sales	92,661	130,964	114,091	60,616
Gross profit (\$)	29,783	53,609	45,519	27,618
EBITDA	6,477	14,702	1,958	4,594
EBIT	2,761	549	(13,000)	(2,578)
Net income/(loss)	1,464	(1,586)	(17,560)	(8,406)

Negative
EBIT of
\$15.58
million

2. The table reflects the following:
 - Net losses since fiscal 2011 total \$27.5 million;
 - Accumulated losses before interest and taxes for the last 19 months total approximately \$15.58 million;
 - The nature of XTG Group's business, particularly its rental asset business, requires significant capital investment in inventory. Accordingly, earnings before interest and taxes ("EBIT") is a key financial metric as depreciation has a significant relationship to the capital expenditure requirements in the rental asset business. EBIT has declined significantly since 2010. Management attributes this to, *inter alia*:
 - The poorly executed integration of two acquisitions in 2011, being Hamilton Services Group Limited and Livingston Electronic Services GmbH in the UK and Germany, respectively;
 - Decentralized management and decision making which inhibited the execution of a global sales and procurement strategy for the business;
 - Excessive overhead costs related to the decentralized sales and procurement structure of the business units;

-
- Liquidity constraints which impaired XTG Group's ability to capitalize on opportunistic inventory purchases, which is essential to the success of the business, particularly in the ITX and Vernon business units;
 - Costs (in excess of \$3 million) related to an unsuccessful implementation of an Enterprise Resource Planning system in 2011 – this continues to impair the accuracy and timeliness of financial reporting; and
 - Inability to invest in new technologies and products due to capital constraints which has impaired growth.
3. XTG Group is presently not generating sufficient cash flow to service its obligations to Callidus, nor does it have sufficient funding to continue to operate in the normal course. Losses are continuing. Callidus has continued to provide advances to the XTG Debtors over the last several months, notwithstanding the distressed state of its business.

2.5 Financial Position

1. XTG Group's internal financial statements as at June 30, 2013 reflect that it:
- is highly leveraged – the book value of its current liabilities (approximately \$46 million) significantly exceeds the book value of its assets (approximately \$30 million, including approximately \$10 million of intangible and other assets, such as goodwill and deferred financing costs);
 - has negative working capital of approximately \$30 million;
 - has approximately \$5 million of accounts payable that are past-due;
 - has negative retained earnings of approximately \$8 million; and
 - is insolvent on a consolidated balance sheet basis.

3.0 Creditors

3.1 Callidus

1. Callidus is the XTG Group's senior secured creditor and operating lender pursuant to an amended and restated credit agreement dated October 11, 2012 (the "Credit Agreement"). The Credit Agreement expired on October 10, 2013.

-
2. As at October 24, 2013, the XTG Group was indebted to Callidus in the amount of \$36.97 million, including an “over-advance” of approximately \$4.5 million² on the revolving line of credit facility.
 3. McFarlane and one of the Foreign Affiliates, Hire Information Technology Limited, a UK entity, are guarantors of XTG Group’s obligations to Callidus.
 4. On July 26, 2013, Callidus issued demand for payment of all amounts owing to it.
 5. On August 3, 2013, XTG Group and Callidus entered into the Forbearance Agreement.

3.1.1 Cash Management System

1. XTG Group’s cash management system consists of over thirty domestic and international bank accounts with Wells Fargo, Royal Bank of Canada (“RBC”) and HSBC Bank Canada (“HSBC”). Collection accounts may be blocked and include a daily cash sweep mechanism, depending on the financial institution. Not all of the cash sweeps are automated – for those accounts, customer receipts are swept manually, as frequently as daily. Most customers pay XTG Group by wire, ACH or credit card. Ultimately, customer receipts of the XTG Debtors are swept to either a US or Canadian dollar consolidation account maintained by Callidus at Bank of Montreal. Working capital is advanced to the XTG Debtors via wire transfer to either a US or Canadian dollar disbursement account at Wells Fargo, to fund global operations. It would be difficult, costly and time consuming for a new cash management system to be implemented during these proceedings. Amending the cash management system would require Callidus to increase significantly its exposure to the XTG Group as customers would need to amend their payment practices, which would delay accounts receivable collections and cause Callidus to increase its exposure while new payment mechanisms are worked out with customers.
2. Given the significant complexities of the cash management system, and the cash flow impact resulting from customers changing their payment practices, it is contemplated that XTG Group would continue to utilize the existing cash management system, including the application of all cash receipts against Callidus’ revolving loan facility.
3. Based on the foregoing and the results of the security opinions described below, the proposed Receiver believes it is appropriate for XTG Group’s existing cash management system to be continued during these proceedings.

² The overadvance is based on a borrowing base certificate filed on October 21, 2013 and totals approximately \$20 million if the amount outstanding under the unmarginated “Facility B” is included.

3.1.2 Security Opinion - Callidus

1. In anticipation of these proceedings, D&P retained Chaitons and A&O to act as the Receiver's Canadian and US legal counsel, respectively. A&O retained MVA, a North Carolina law firm, to provide an opinion on the US Security as it is subject to the laws of North Carolina. Chaitons provided an opinion on the Canadian Security.
2. Subject to the standard assumptions and qualifications contained in the opinions ("Opinions")³.
 - a. Chaitons opined that the Canadian Security, as registered under the Ontario *Personal Property Security Act* ("PPSA"), creates a valid and perfected security interest in the business and assets of XTG Group situated in Ontario; and
 - b. MVA opined that the US Security, together with the *Uniform Commercial Code* ("UCC") financing statements and the deposit account control agreement, creates a valid and perfected security interest in the general intangibles, accounts receivable, inventory, equipment and goods held by the members of the XTG Debtors organized within the US and the deposit accounts listed in the deposit account control agreement.
3. The Opinions were required in advance of these proceedings because: (a) the purchase price under the Sale Agreement is to be paid by way of credit bid by Callidus; and (b) the Receivership Order provides that XTG Group's cash management system, as described above and further described in the Affidavit, would continue to be utilized during these proceedings.

3.2 Triangle Capital Corporation

1. Triangle Capital Corporation ("Triangle") is a secured creditor of XTG Group pursuant to a Senior Subordinated Note dated June 7, 2012, as amended (the "Triangle Note"). The Triangle Note is in the principal amount of up to \$8.5 million, which contemplated an initial advance of \$6 million.
2. On June 7, 2012, Triangle advanced \$6 million to XTG Group under the Triangle Note. There have been no additional advances made by Triangle. XTG Group's indebtedness to Triangle is presently approximately \$6.4 million, including interest.
3. Triangle was provided with notice of Callidus' demand on July 26, 2013 and has been served with Callidus' receivership application materials.

³ Copies of the Opinions will be made available to the Court should the Court wish to review the Opinions.

-
4. Triangle is aware of the retention of D&P. During September, 2013, Triangle representatives contacted D&P in order to set up a meeting to discuss XTG Group. Triangle representatives were to meet with D&P representatives in Toronto on September 27, 2013. The meeting did not take place.

3.3 Royal Bank of Canada

1. RBC has security over certain of XTG Group's business and assets which appears, if valid, to rank subordinate to the Callidus security.
2. On August 7, 2013, RBC commenced an action against XTG Group in which it claims that it is owed approximately \$630,000. The litigation is ongoing and XTG Group filed a statement of defence in September, 2013.
3. On September 13, 2013, RBC issued notices under the PPSA for payment from XTG Group bank accounts held at HSBC. The issuance of these notices caused HSBC to freeze all funds in those bank accounts (approximately \$415,000).
4. Correspondence has been exchanged among HSBC, Callidus and XTG Group and/or their respective legal counsel. D&P understands that HSBC will not allow the monies to be released to XTG Group, Callidus or RBC absent agreement among the parties or Court order.

3.4 GE Commercial Distribution Finance Corporation ("GE")

1. GE has security over certain of the XTG Debtors' business and assets pursuant to an Amended and Restated Inventory Financing Agreement dated August 15, 2012 between GE and Partstock Computer LLC (the "GE Agreement"). Xchange Technology Group LLC, the parent company in the XTG Group, is a guarantor of the obligations owing under the GE Agreement.
2. The XTG Group owes approximately \$200,000 to GE. D&P understands that this obligation ranks in priority to Callidus.

3.5 Other Secured Creditors

1. Based on PPSA registrations, certain other creditors have registered security against the XTG Debtors. Those creditors include Business Development Bank of Canada ("BDC"), Ingram Micro Inc., McFarlane and Tech Data Canada Corp. Each of these creditors (other than Tech Data Canada Corp.) has entered into a subordination agreement with Callidus pursuant to which they have agreed to subordinate their security in favour of Callidus.
2. Based on UCC registrations, certain other creditors have registered security under the UCC against the XTG Debtors. Those creditors include Lenovo Financial Services and Winthrop Resources Corporation. Both of these registrations were made subsequent to the registrations filed in favour of Callidus.

3.6 Claims that Rank or May Rank in Priority to Callidus

- Based on XTG Group's books and records as at October 23, 2013, potential priority payables (both in US and Canada) total approximately \$790,000 and are comprised of the following (collectively, the "Priority Payables").

Description	Amount (\$000s)
Vacation pay	90
Wages and source deductions (stub period)	434
HST obligation	266
Total	790

3.7 Unsecured Creditors

- According to XTG Group's accounts payable records as at October 23, 2013, unsecured creditor obligations totaled approximately \$6.23 million, the majority of which are owing to trade suppliers. As illustrated in the following table, trade obligations are significantly aged - approximately 57% of these obligations are aged greater than 90 days.

Entity	(\$000s)				Total
	Current	Over 30 days	Over 60 days	Over 90 days	
IT Xchange Corp.	675	191	290	1,701	2,857
IT Xchange Financial Services LLC	370	64	35	255	724
BlueRange Technology Corp.	17	0	0	46	63
Subtotal – US filing entities	1,062	255	325	2,002	3,644
IT Xchange Inc.	182	93	20	914	1,209
BlueRange Technology Inc.	439	(6)	26	152	611
Subtotal – Canadian filing entities	621	87	46	1,066	1,820
Subtotal – Foreign Affiliates	268	3	31	463	765
Total	1,951	345	402	3,531	6,229
Total (%)	31.3%	5.5%	6.5%	56.7%	100%

- As at October 23, 2013, amounts owing by XTG Group to its five largest unsecured creditors were as follows:

Creditor	Service Provided	Entities Serviced	Amount (\$000s)
Fedex	Freight	IT Xchange Financial Services LLC., IT Xchange Corp.	655
Ingram Micro Canada	Inventory supplier	BlueRange Technology Inc., IT Xchange Inc., IT Xchange Financial Services LLC.	330
IT Convergence	Inventory supplier	IT Xchange Corp.	255
MFP	Inventory supplier	IT Xchange Inc., IT Xchange Corp., IT Xchange Limited	238
Tech Data Canada	Inventory supplier	BlueRange Technology Inc., IT Xchange Inc., IT Xchange Financial Services LLC.	212
Subtotal			1,690
All others	Various		4,539
Total (XTG Debtors and Foreign Affiliates)			6,229

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3. The vendor lists of the XTG Debtors include more than 430 suppliers. The XTG Debtors are presently on cash-on-delivery terms with the majority of their vendors.
 4. The creditors below have commenced litigation to collect amounts due to them from XTG Group. Several other creditors have threatened to initiate proceedings.

Creditor	XTG Debtor	Amount Owing (\$)
RBC	IT Xchange Inc.	629,205
Gov Connection	IT Xchange Corp.	137,183
Bank of America Leasing	IT Xchange Inc.	125,000
Computer Technology Link	IT Xchange Corp.	65,299
Avaya Canada Corp.	IT Xchange Inc.	50,052
EET Danmark	IT Xchange Corp.	28,718

5. Of the creditors listed above, Gov Connection, Avaya Canada Corp. and Computer Technology Link have obtained judgements.
6. BDC has a mortgage on the Oakville property, which is owned by McFarlane. BDC recently transferred the account to its special loans group. BDC is owed approximately \$4 million by McFarlane. This obligation is guaranteed by IT Xchange Inc., one of the Canadian entities in the XTG Group.

4.0 Pre-Filing Refinancing Processes

4.1 CG Process

1. CG was engaged by XTG Group to conduct a refinancing solicitation process for XTG Group in May, 2013. McFarlane was CG's principal contact during the CG Process. A redacted copy of CG's engagement letter is included as an exhibit to the Affidavit.
2. Based on information provided to Rupp by CG, the CG Process included the following:
 - CG identified 56 parties, including financial parties, strategic parties and private equity firms that it believed may have an interest in participating in a refinancing of the XTG Group;
 - Interested parties were required to sign a confidentiality agreement in order to obtain a confidential information memorandum ("CIM") prepared by CG;

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- Information concerning the XTG Group was provided in a virtual data room. The data room contained financial and other information, including employee data, occupancy leases, Callidus and Triangle loan agreements and supplier and customer information; and
 - CG arranged for interested parties to meet with management and tour XTG Group's premises, upon request.

4.1.1 CG Process Results

1. Twenty-three parties executed the CA and received a CIM. The balance of the parties did not express an interest in the opportunity.
2. CG advised Rupp that it received five verbal expressions of interest and three term sheets. Only one of these three parties performed diligence. That party passed on the opportunity shortly after it commenced diligence.
3. On August 15, 2013, McFarlane submitted to Callidus a letter of intent from one party who participated in the CG process (the "Letter of Intent"); however, the Letter of Intent was submitted directly to McFarlane and not through CG.
4. The Letter of Intent was an offer to purchase for \$15 million (plus \$2 million in preferred equity in the acquiring "newco") all of XTG Group's business and assets (i.e. not a refinancing), before adjustments for past due payables (over \$4.5 million at that time). The Letter of Intent was subject to diligence, financing and required a 60-day exclusivity period. Callidus advised McFarlane that it was not prepared to consider the Letter of Intent.
5. Financing for the Letter of Intent transaction was to be provided by a US private equity firm (the "PE Firm"). As an alternative to the Letter of Intent, the PE Firm made an offer to purchase the Callidus debt for \$17 million. This offer was also not acceptable to Callidus. D&P has been advised that there were discussions between Callidus and the PE Firm about a sale of the Callidus debt; however, Callidus advised that the amount discussed was not (and is not) acceptable to it. A copy of the Letter of Intent is attached as Confidential Appendix "1".
6. Attached as Confidential Appendix "2" is a summary provided by CG to Rupp on October 15, 2013 which sets out the parties that were contacted by CG and the values of their expressions of interest.

4.2 KPMG Process

1. KPMG was engaged in February, 2013 by the XTG Group to conduct a refinancing solicitation process. The process terminated in June, 2013. McFarlane was KPMG's principal contact. A redacted copy of KPMG's engagement letter is included as an exhibit to the Affidavit.
2. KPMG advised Rupp that the KPMG Process included a broad canvassing of the asset based lending marketplace.

4.3 KPMG Process Results

1. Based on information provided by KPMG to Rupp, one term sheet was submitted under the KPMG Process. This party passed on the opportunity after it performed diligence.
2. Attached as Confidential Appendix “3” is a memo dated October 18, 2013 from KPMG which summarizes the KPMG Process.

5.0 Urgency

1. D&P has been involved with the business in an advisory capacity since mid-June, 2013, although its engagement letter was not executed until August 22, 2013 due to issues related to the Withdrawal Agreement. As a result of its activities, D&P has first-hand knowledge of the issues materially impacting the business, including:
 - The business is fragile. Absent the proposed stay of proceedings and certainty that will result from the transaction contemplated by the Stalking Horse Offer (or a superior transaction resulting from the Sale Process), it is unlikely XTG Group will be able to continue to operate on a going-concern basis;
 - XTG Group is incurring significant losses that are eroding XTG Group’s financial position to the detriment of its stakeholders;
 - Certain elements of XTG Group’s contemplated restructuring can only be implemented in the context of an insolvency proceeding, including terminating real property leases and implementing other cost-cutting measures;
 - XTG Group is substantially overdrawn on its working capital facility with Callidus. Absent the continued support of Callidus, XTG Group is without funding to continue to operate;
 - XTG Group is on cash-on-delivery terms with the majority of its suppliers, including its key inventory suppliers. Supplier pressure is significant and continues to intensify. A growing list of creditors and suppliers have commenced, or are threatening to commence, litigation and/or to take “self-help” remedies in order to collect amounts owing to them by XTG Group. One such example is the action taken by RBC which resulted in the freezing of funds in XTG Group’s bank accounts at HSBC, as further described in the Affidavit; and
 - Industry rumours are impairing XTG Group’s business.

6.0 Restructuring Process Considerations

1. Upon evaluation of various cross border restructuring options and structures, D&P and XTG Group's advisors determined that the most expedient and least costly process is to place the XTG Debtors in receivership and to have the proceedings, and the transactions resulting therefrom, recognized by the US Court.
2. D&P and the other advisors were of the view that any prolonged process, with the incumbent cost and uncertainty, may jeopardize substantially the ability to restructure the business.
3. D&P, as proposed Receiver, was also cognizant that, given the expedited timelines in this process, stakeholders receive sufficient notice in both Canada and the US. The contemplated process achieves that objective.

7.0 Restructuring Plan, Stalking Horse Offer and Sale Process

1. Subject to the making of the Receivership Order, implementation of the restructuring plan will be immediately commenced. The restructuring plan is summarized as follows:
 - Certain operations will be relocated to less costly premises;
 - Portions of the business will be consolidated into the XTG Group's facility in North Carolina;
 - Underperforming portions of the business which do not form part of the go forward business plan will be wound down on an orderly basis;
 - An external sales force would be retained to augment the existing sales network in certain business units;
 - A sale of XTR Germany would be completed – this is presently being negotiated;
 - A sale of UK real estate would be completed – this is presently being negotiated;
 - Callidus would be the ultimate 100% shareholder of the restructured entity; and
 - Callidus would provide new (or amended) credit facilities to the Purchaser to facilitate its restructuring and future growth.

7.1 The Sale Agreement

1. A summary of the key terms and conditions of the Sale Agreement is as follows:
 - Vendor: the Receiver
 - Purchaser: an entity or entities to be incorporated prior to closing that is to be ultimately 100% owned by Callidus
 - Purchased assets: Substantially all of XTG Group's business and assets and the shares of the Foreign Affiliates
 - Purchase price: Will be paid by credit bid and calculated as follows: Callidus debt on closing (less \$3 million) plus the Priority Payables. As at the date of this Report, the purchase price would be approximately \$35 million
 - Priority obligations: Assumed by the Purchaser or paid at closing, including GE debt (to the extent it ranks in priority to Callidus and remains unpaid after closing), priming government obligations, priority employee claims and sales tax obligations
 - Assumed Obligations: Purchaser to assume all obligations related to transferred employees, obligations under assumed contracts, priming claims (unless paid in full on or prior to closing) and post-filing obligations incurred from operating the business during the receivership proceedings⁴
 - Employees: The Purchaser intends to offer employment to the majority of the existing employees
 - Representations and warranties: Consistent with insolvency transactions, i.e. to be completed on an "as is, where is" basis without material representations and warranties
 - Closing: Business date two days following US Court approval of the transaction
 - Conditions: The only material condition precedent is the approval of the transaction by the Ontario Court and the US Court
 - Transition Services Agreement: A Transition Services Agreement is to be utilized to assist to transition the existing operations to the Purchaser

⁴ It is contemplated that the Receiver's fees and expenses would be secured by the Receiver's Charge and funded in cash prior to the completion of these proceedings. Accordingly, those costs would not be an Assumed Obligation under the Sale Agreement.

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2. A copy of the Sale Agreement is attached as Appendix “B”. The schedules to the Sale Agreement contain commercially sensitive information and, accordingly, are attached as Confidential Appendix “4”.

7.2 Sale Process

1. A summary of the proposed Sale Process is as follows:
- The Sale Agreement is to be a Stalking Horse Offer in the Sale Process;
 - The Receiver shall distribute a brief interest solicitation letter detailing this opportunity to prospective purchasers identified by the Receiver, including those that were approached by CG and KPMG. Attached to the interest solicitation letter will be a form of confidentiality agreement (“CA”);
 - Upon execution of a CA, bidders will be provided with the opportunity to commence diligence, including reviewing information in an online data room;
 - The Receiver will facilitate due diligence efforts by, *inter alia*, arranging site visits and meetings between management and interested parties, provided that such meetings are supervised by the Receiver, and the Receiver is of the view that such prospective purchasers are bona fide, in the Receiver’s sole discretion;
 - Prospective purchasers will be provided with a hard and soft copy of the Stalking Horse Offer. Prospective purchasers will be required to submit offers in the form of the Stalking Horse Offer;
 - A “Superior Bid” under the Sale Process is one that is submitted for the Purchased Assets which is at least equivalent to the Stalking Horse Offer, which includes the following minimum criteria:
 - the offer must be an irrevocable offer;
 - the offer must be accompanied by a cash deposit which is at least equal to 15% of the aggregate purchase price payable under the offer;
 - the offer must be for a purchase price at least equal to the Purchase Price, payable in cash on Closing, and otherwise on terms no less favourable and no more burdensome or conditional than the Stalking Horse Offer;
 - the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction that are not otherwise contained in the Stalking Horse Offer;

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- the offer must be made by an offeror which can demonstrate the financial ability to complete the transaction; and
 - the offer must contemplate a closing date of no later than December 31, 2013.
- Offers will be required to be submitted to the Receiver by 10:00 am (Toronto time) on November 19, 2013 (the “Bid Deadline”), being three weeks from the return date of the motion for approval of the Sale Process; and
 - The Sale Process does not contemplate any “break-fee” or “expense reimbursement” as the offer is in the form of a credit bid.
2. Approval of bidding procedures for an auction is not being sought at this time. Should the results of the Sale Process necessitate that auction procedures be prepared, the Receiver would bring a motion to do so.
 3. The Receiver will have the right to extend or amend the Sale Process as it considers appropriate; however, the Receiver would seek the Court’s approval to terminate or materially amend the Sale Process (including any procedures related to the conduct of an auction).
 4. The Receiver shall not be required to accept the highest offer, or any offer.
 5. Any transaction will be subject to approval by the Ontario Court and the US Court.
 6. Subject to the approval of the Ontario Court, the following table sets out the Sale Process timeline:

Milestone	Timeline
Receivership Application	October 29, 2013
US Motion for Provisional Relief, including recognition of Receivership Order, Sale Process and Stalking Horse Offer	October 29/30, 2013
Offer deadline under Sale Process	November 19, 2013
Canadian Sale Approval Motion	November 22, 2013
US Motion for Recognition Order, including recognition of Canadian Sale Approval and Vesting Order	November 26, 2013
Anticipated closing date of the Stalking Horse Offer ⁵	November 29, 2013

⁵ Should the Sale Process result in a transaction other than the transaction contemplated by the Stalking Horse Offer, the closing date is estimated to be on or prior to December 31, 2013.

8.0 Recommendation

1. D&P, as proposed Receiver, recommends that this Court issue an Order approving the Sale Process, including the approval of the Stalking Horse Offer, for the following reasons:
 - In the Receiver's view, the Sale Process is appropriate and of sufficient duration, particularly in light of the processes previously conducted by CG and KPMG. KPMG and CG widely canvassed the market for a prolonged period of time, including contacting financial parties, strategic parties and private equity firms across North America. Many of the parties that will be contacted by the Receiver during the Sale Process are familiar with this opportunity;
 - McFarlane provided a Letter of Intent from a prospective purchaser to Callidus which was for approximately 50% of the Callidus debt, implying that there is no value to the equity in the business;
 - The duration of the proposed Sale Process and the existence of a "stalking horse" offer will assist to create certainty for all stakeholders, particularly XTG Group's employees. It is critical that the Sale Process be completed expeditiously so that stakeholders (employees, customers and vendors) understand that the XTG Group will continue to operate as a going concern;
 - Absent the completion of the transaction contemplated by the Stalking Horse Offer or a superior transaction that may result from the Sale Process, XTG Group will be without funding and, accordingly, could be forced to discontinue operations; and
 - The use of a "stalking horse" offer is common in cross-border insolvency proceedings. In addition, no break fee or expense reimbursement is contemplated, which is appropriate in a credit bid circumstance.

9.0 Liquidation Analysis

1. D&P prepared an analysis of the estimated realizable value of XTG Group's business and assets in a liquidation. A copy of this analysis is provided in Confidential Appendix "5".
2. The liquidation analysis reflects that Callidus would incur a significant shortfall on its outstanding loans to XTG Group should its business cease operating and the assets liquidated. Detailed assumptions to the liquidation analysis are provided in the confidential appendix.

10.0 Confidential Appendices

1. Given that the Confidential Appendices to this Report contain sensitive commercial information, including the identity and values of any expressions of interest and/or the liquidation value of XTG Group's assets, D&P is of the view that it is appropriate for these appendices to be filed with the Court on a confidential basis pending further Court Order.

11.0 Funding of these Proceedings

1. Provided the proposed Orders are granted, Callidus is prepared to continue to fund the business in accordance with the existing cash management system.

12.0 Conclusion and Recommendation

1. Based on the foregoing, D&P, as proposed Receiver, respectfully recommends that this Honourable Court make 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 PROPOSED RECEIVER OF
XCHANGE TECHNOLOGY GROUP LLC, IT EXCHANGE INC.,
IT XCHANGE CORP., BLUERANGE TECHNOLOGY CORP.,
BLUERANGE TECHNOLOGY INC., IT XCHANGE FINANCIAL SERVICES LLC AND
PARTSTOCK COMPUTER LLC
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “D”

ASSET PURCHASE AGREEMENT

This Agreement made this 25th day of October, 2013.

AMONG:

DUFF & PHELPS CANADA RESTRUCTURING INC., in its capacity as Court appointed Receiver of all of the assets, undertakings and properties of the NA Debtors (as defined below) and not in its personal capacity

(the "**Vendor**")

- and -

2393134 ONTARIO INC., a corporation governed by the laws of the Province of Ontario

(the "**Purchaser**")

WHEREAS Callidus Capital Corporation ("**Callidus**") is a secured creditor of Xchange Technology Group LLC, a Delaware limited liability company ("**Parent**"), ITXchange Financial Services LLC, a Delaware limited liability company ("**Xchange Financial**"), IT Xchange Corp., a North Carolina corporation ("**Xchange NC**"), BlueRange Technology Corp., a Delaware corporation ("**BTC**"), BlueRange Technology Inc., an Ontario corporation ("**BTP**"), Partstock Computer LLC, a Delaware limited liability company ("**Partstock**"), I.T. Xchange Inc., an Ontario corporation ("**Xchange Ontario**"), I.T. Xchange Limited, a corporation organized under the laws of Scotland ("**Xchange Scotland**"), Xchange Technology Rentals Ltd., a corporation organized under the laws of England and Wales ("**Technology Rentals Limited**"), and Hire Information Technology Limited, a registered company organized under the laws of England and Wales ("**HIT**" and together with Parent, Xchange Financial, Xchange NC, BTC, BTI, Partstock, Xchange Ontario, Xchange Scotland, Technology Rentals Limited (collectively "**Debtors**" and individually "**Debtor**");

AND WHEREAS Callidus intends to make an application for an Order or Orders of the Ontario Superior Court of Justice (Commercial List) (the "**Court**"), among other things, appointing the Vendor as the Receiver of all of the property, assets and undertaking of Parent, Xchange Financial, Xchange NC, BTC, BTI, Partstock, Xchange Ontario (the "**NA Debtors**" and individually an "**NA Debtor**") and authorizing the Vendor to enter into this Agreement and to conduct a sales process with respect to the business and assets of the NA Debtors; and

AND WHEREAS in connection therewith, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, all of the Purchased Assets (as defined herein) in accordance with the terms of this Agreement;

NOW THEREFORE, in consideration of the premises and mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are each hereby acknowledged by the parties, the parties hereto agree as follows:

ARTICLE I INTERPRETATION

1.01 Definitions

In this Agreement, the following terms shall have the meanings set out below unless the context requires otherwise:

"Accrued Vacation Pay" means the amount that would be payable for all accrued and unpaid vacation pay pursuant to employment arrangements as at the Closing Date for all Transferred Employees;

"Affiliate" shall mean, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by or is under common Control with, such Person. For purposes of this definition, **"Control"** (including, with correlative meanings, the terms **"Controlled by"** and **"under common Control with"**) means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, as trustee or executor, by written or oral contracts, commitments, understandings or other agreements or credit arrangement or otherwise;

"Agreement" means this asset purchase agreement, including all schedules and all amendments or restatements, as permitted and references to **"Article"** **"Section"** or **"Schedule"** mean the specified Article, Section of, or Schedule to this Agreement and the expressions **"hereof"**, **"herein"**, **"hereto"**, **"hereunder"**, **"hereby"** and similar expressions refer to this Agreement and not to any particular Section or other portion of this Agreement;

"Applicable Law" means, with respect to any Person, property, transaction, event or other matter, all applicable laws, statutes, regulations, rules, by-laws, ordinances, regulatory policies, codes, guidelines, official directives, orders, rulings, judgments and decrees of any Governmental Authority;

"Approval Order" has the meaning given in Section 6.01;

"Assumed Callidus Debt" has the meaning given in Section 2.04;

"Assumed Contract" means a Contract listed in Schedule "A" being assumed by the Purchaser on the Closing Date, and **"Assumed Contracts"** means every Assumed Contract;

"Assumed Obligations" has the meaning given in Section 2.07;

"Assumed Priority Payables" has the meaning given in Section 2.04;

"Bankruptcy Code" has the meaning given in Section 4.01;

"Books and Records" means all books and records relating to the Purchased Assets in the possession of any of the NA Debtors, including financial, operations and sales books, records, books of account, sales and purchase records, including all data, information and databases stored on computer-related or other electronic media;

"Business" means the business conducted by the Debtors prior to the Closing Date;

"Business Day" means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;

"Callidus" has the meaning given in the recitals above;

"Claims" includes claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions or other similar processes;

"Closing" means the completion of the purchase and sale of the Purchased Assets in accordance with the provisions of this Agreement;

"Closing Date" means the Business Day two days following the date on which the U.S. Order is granted, or such earlier or later date as may be agreed to in writing by the Parties;

"Contract" means any contracts, licences, leases, agreements, undertakings, understandings, arrangements, documents, commitments, entitlements or engagements to which an NA Debtor is a party, and **"Contracts"** means every Contract;

"Court" has the meaning given in the recitals above;

"Encumbrances" means liens, charges, security interests (whether contractual, statutory, or otherwise), hypothecs, statutory liens, charges, pledges, leases, title retention agreements, mortgages, trusts, executions, levies, restrictions on use, development or similar agreements, easements, rights-of-way, title defects, options or adverse claims or encumbrances of any kind or character whatsoever, whether written or oral, or imposed by law, equity or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Receivership Order; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario), the Uniform Commercial Code or any other personal property registry system;

"Employee Liabilities" means any liability imposed upon an NA Debtor pursuant to any Applicable Law pursuant to which such NA Debtor is deemed to be a successor employer, related employer or otherwise responsible for or liable for payment of any amounts owing to any of the current or former Employees (including, but not limited to, the Transferred Employees up to and including the Closing Date), whether pursuant to the *Employment Standards Act*, 2000, S.O. 2000, c. 41, the *Pay Equity Act*, R.S.O. 1990, c. P.7, or the *Workplace Safety and Insurance Act*, 1997, S.O. 1997, c. 16, Sch. A. or similar legislation. Without limiting the foregoing, Employee Liabilities shall include:

- (a) all salaries, wages, bonuses, commissions and other compensation (including accrued but unpaid vacation pay and any retroactive pay) and all liabilities under employee benefit plans relating to employment of the current or former Employees;
- (b) all severance payments, damages for wrongful dismissal and all related costs in respect of the termination by an NA Debtor of current or former Employees; and
- (c) all liabilities for claims for injury, disability, death or workers' compensation arising from or relating to employment in the Business;

"Employee" means an individual currently or formerly employed by an NA Debtor in its business, including individuals that may be considered, treated or deemed, at law, to be currently or formerly employed by an NA Debtor, and **"Employees"** means every Employee;

"Excluded Assets" has meaning given in Section 2.02;

"Excluded Liabilities" has the meaning given in Section 2.08;

"Governmental Authorities" means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law or regulation-making organizations or entities: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory, state or other geographic or political subdivision thereof; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power and **"Governmental Authority"** means any one of them;

"HST" means all harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada);

"Intellectual Property" shall mean all intellectual property of whatever nature and kind anywhere in the world including works of authorship, inventions (whether patentable or not), invention disclosures, industrial models, industrial designs, utility models and certificates of invention, designs (including without limitation graphics, labels and artistic designs), all local or foreign patents and patent applications (including all provisional patent applications, continuations, continuations-in-part, divisionals, reexamination certificates, reissues and the like), trademarks, trade names, service marks, all goodwill associated with such trademarks and service marks, copyrights, and any applications for such trademarks, trade names, service marks and copyrights, and all product designs, product packaging, business and product names and logos trade styles and all other forms of business identifiers, together in all cases with related intangible value, domain names, business telephone numbers, pricing and cost information, business and marketing plans and proposals and all other trade secrets or other confidential information and data in any form or format, know-how, and computer software programs or applications, source code, object code and tangible or intangible proprietary information or material;

"Interim Period" means the period from and including the date of this Agreement to and including the Closing Date;

"Leased Premises" means all of the leased premises from which an NA Debtor conducted its business located at the municipal addresses as described in Schedule "B";

"NA Debtor" and **"NA Debtors"** has the meaning given in the recitals above;

"Non-Assigned Rights" has the meaning given in Section 2.09;

"Parties" means the Vendor and the Purchaser collectively, and **"Party"** means either one of them;

"Person" is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity;

"Priority Payables Amount" has the meaning given in Section 2.03

“Prospective Employees” has the meaning given in Section 7.01;

“Purchase Price” has the meaning given in Section 2.03;

“Purchased Assets” means all of the right, title, interest and benefit of each of the NA Debtors in and to its property, assets and undertaking of whatsoever nature and kind, legal and equitable, tangible and intangible, including, without limitation, the (i) assets described in Schedule “C”; (ii) Assumed Contracts; (iii) Leased Premises; (iv) Intellectual Property and (v) shares of I.T. Xchange Limited (UK), I.T. Xchange Macao Commercial Offshore Ltd. (Macao), I.T. Xchange Pty Ltd. (Australia), Xchange Technology GmbH (Germany). For greater certainty, the Purchased Assets shall not include the Excluded Assets;

“Receivership Order” means an Order of the Court, among other things, appointing the Vendor as the Receiver of all of the property, assets and undertaking of the NA Debtors;

“Rights” has the meaning given in Section 2.09;

“Sales Process Order” has the meaning given in Section 8.01;

“Stalking Horse Offer” has the meaning given in Section 8.01;

“Superior Bid” shall mean an offer to purchase all or any of the Purchased Assets which is better than the Stalking Horse Offer as determined pursuant to the Sales Process Order, provided that no offer shall qualify as a Superior Bid unless it meets, among other things, the following minimum criteria:

- (a) the offer must be an irrevocable offer;
- (b) the offer must be accompanied by a cash deposit which is at least equal to 15% of the aggregate purchase price payable under the offer;
- (c) the offer must be for a purchase price at least equal to the Purchase Price, payable in cash on Closing, and otherwise on terms no less favourable and no more burdensome or conditional than the Stalking Horse Offer;
- (d) the offer must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction that are not otherwise contained in the Stalking Horse Offer;
- (e) the offer must be made by an offeror which can demonstrate the financial ability to complete the transaction;
- (f) the offer must contemplate a closing date of no later than December 31, 2013.

“Taxes” means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, harmonized, value added, capital, capital gains, alternative, net worth, transfer, profits, withholding, payroll, employer health, excise, franchise, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax including Canada Pension Plan and provincial pension plan contributions, employment insurance payments and workers compensation premiums, together with any

instalments with respect thereto, and any interest, fines and penalties, imposed by any Governmental Authority, and whether disputed or not;

"Time of Closing" means 2:00 p.m. (Toronto Time) on the Closing Date or such earlier or later time as may be agreed to by the Vendor and Purchaser;

"Transferred Employee Liabilities" means any liability imposed upon the Purchaser pursuant to any Applicable Law pursuant to which the Purchaser is deemed to be a successor employer, related employer or otherwise responsible for or liable for payment of any amounts owing to any of the Transferred Employees, whether pursuant to the *Employment Standards Act*, 2000, S.O. 2000, c. 41, the *Pay Equity Act*, R.S.O. 1990, c. P.7, or the *Workplace Safety and Insurance Act*, 1997, S.O. 1997, c. 16, Sch. A. or similar legislation. Without limiting the foregoing, Transferred Employee Liabilities shall include Accrued Vacation Pay.

"Transferred Employees" has the meaning given in Section 7.01;

"Transfer Taxes" has the meaning given in Section 2.06;

"U.S. Order" has the meaning given in Section 6.01;

"U.S. Court" means the U.S. Bankruptcy Court;

"Vesting Order" has the meaning given in Section 6.01.

1.02 Headings and Sections

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.03 Number and Gender

Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders. Where the word "including" or "includes" is used in this Agreement, it means "including (or includes) without limitation".

1.04 Currency

Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in Canadian dollars.

1.05 Statute References

Unless otherwise specified, any reference in this Agreement to any statute or any section thereof shall be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

1.06 Time Periods

Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and

including the day on which the period ends and by extending the period to the next Business Day if the last day of the period is not a Business Day.

1.07 Consent

Unless otherwise specified, whenever a provision of this Agreement requires an approval or consent and such approval or consent is not delivered within the applicable time limit, then the Party whose consent or approval is required shall be conclusively deemed to have withheld its approval or consent.

1.08 No Strict Construction

The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.09 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the Parties relating to the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, oral or written, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and the Purchaser shall acquire the Purchased Assets on an "as is, where is" basis subject to the benefit of the representations and warranties in this Agreement. Any cost estimates, projections or other predictions contained or referred to in any other material that has been provided to the Purchaser or any of its affiliates, subsidiaries, agents or representatives are not and shall not be deemed to be representations or warranties of the Vendor or any of its affiliates, subsidiaries, agents, employees or representatives.

1.10 Section and Schedule References

Unless the context requires otherwise, references in this Agreement to Sections or Schedules are to Sections and Schedules of this Agreement, as applicable. Until the Closing Date, the Schedules may be amended as mutually agreed by the Vendor and Purchaser. The Schedules to this Agreement, listed as follows, are an integral part of this Agreement:

Schedule	Description
Schedule "A"	Assumed Contracts
Schedule "B"	Leased Premises
Schedule "C"	Purchased Assets

ARTICLE II PURCHASE AND SALE

2.01 Purchase and Sale of Purchased Assets

On the Closing Date, subject to the issuance of the Approval Order, Vesting Order, the U.S. Order and the other terms and conditions of this Agreement:

- (a) the Vendor shall sell, transfer, assign and convey unto the Purchaser, to the extent assignable or transferable, and the Purchaser shall purchase, acquire and accept, all of the Purchased Assets, free and clear of all Claims, liabilities and Encumbrances (other than mutually agreed permitted exceptions and permitted liens); and
- (b) the Purchaser shall pay the Purchase Price as provided in Section 2.04.

2.02 Excluded Assets

The Purchased Assets do not include any of the following property, assets, rights and interests of any NA Debtor (collectively, the **"Excluded Assets"**):

- (a) the minute books and stock ledgers of the NA Debtors;
- (b) Non-Assigned Rights;
- (c) the rights of any Debtor under this Agreement or under any agreements, certificates, instruments or documents made in connection with this Agreement; and
- (d) any other assets that the Purchaser elects to exclude, without adjustment to the Purchase Price.

2.03 Purchase Price

The purchase price payable to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the **"Purchase Price"**) will be the aggregate of: (a) the amount of the obligations of the Debtors to Callidus as at the Closing Date less CDN\$3,000,000 and (b) the aggregate amount of all of the NA Debtors' obligations to creditors who have a lien, charge, security interest, deemed trust or other encumbrance in or against the property or assets of an NA Debtor which rank in priority to the security held by Callidus on such property and assets, including, without limitation, all amounts owing for wages, vacation pay, employee source deductions and the professional fees and expenses of the Vendor, its counsel and the counsel for Callidus (collectively, the **"Priority Payables Amount"**).

2.04 Satisfaction of Purchase Price

The Purchase Price shall be satisfied as follows:

- (a) on or prior to the Time of Closing, the Purchaser shall pay to the Vendor, by certified cheque, bank draft, or wire transfer payable to or to the order of the Vendor, an amount equal to the Priority Payables Amount less the amount of any

Assumed Obligations which, and to the extent they do, comprise a portion of the Priority Payables Amount (the “**Assumed Priority Payables**”); and

- (b) as to the Assumed Priority Payables, on or prior to the Time of Closing, the Purchaser shall assume the Assumed Priority Payables;
- (c) as to the balance of the Purchase Price, on or prior to the Time of Closing, the Purchaser shall assume the Debtors’ obligations to Callidus less CDN\$3,000,000 (“**Assumed Callidus Debt**”).

2.05 Allocation of Purchase Price

The Purchase Price will be allocated among the Purchased Assets as agreed between the Vendor and the Purchaser prior to Closing, acting reasonably. Any Tax returns and filings made by the NA Debtors or the Purchaser will be made on a basis which is consistent with the amount and allocation of the Purchase Price set out in such allocation.

2.06 Sales and Transfer Taxes; HST Election

(1) Subject to Sections 2.06(2) and (3) hereof, the Purchaser will be liable for and will pay, or cause to be paid, any applicable federal, state and provincial Taxes and charges (including sales taxes, goods and services taxes, excise taxes, all transfer, land transfer, value added, ad-valorem, use, consumption, harmonized sales, retail sales, social services, or other similar taxes or duties and any applicable interest, penalties and fines) (other than income taxes of the Vendor) payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets under this Agreement as and when due (collectively, “**Transfer Taxes**”). On or prior to the Time of Closing, the Purchaser will either pay the Transfer Taxes to the Vendor or deliver to the Vendor evidence confirming the Purchaser’s payment of or exemption from payment of the Transfer Taxes in form and substance acceptable to the Vendor, acting reasonably. The Purchaser 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 Vendor, the Purchaser will reimburse to the Vendor such taxes within 5 Business Days of payment of such taxes by the Vendor. The Purchaser will indemnify and hold the Vendor harmless in respect of any Transfer Taxes, Claims, liabilities, costs and fees for on in connection with payment of the Transfer Taxes, fines, penalties, interest and other amounts that may be assessed against the Vendor under any Applicable Law in connection with or relating to the sale of the Purchased Assets and any Claims, liabilities, costs and fees in connection with, relating to or arising from any failure to pay such taxes, fines, penalties and other amounts when due.

(2) At the Time of Closing, the Vendor and the Purchaser shall, to the extent applicable, jointly execute elections under Section 167 of the *Excise Tax Act* (Canada) to have the sale of the Purchased Assets take place on a HST-free basis under Part IX of the *Excise Tax Act* (Canada) and the Purchaser shall file such election with its HST return for the reporting period in which the sale of the Purchased Assets takes place.

(3) The Purchaser and the Vendor shall execute jointly an election in prescribed form under Section 22 of the *Income Tax Act* (Canada) in respect of the account receivables purchased pursuant hereto and shall each file such election with their respective tax returns for their respective taxation years that include the Time of Closing.

(4) The Vendor, at no cost to it, shall cooperate with the Purchaser to take all reasonably available steps to minimize any applicable Transfer Taxes that may be payable in the U.S. including making such tax elections as may be agreeable to the Vendor.

(5) Unless required by Applicable Law, no amended Tax return with respect to a tax period beginning on or before the Closing Date shall be filed by or on behalf of any of the Debtors which are not an NA Debtor without the prior written consent of the Vendor.

2.07 Assumed Obligations

At and from the date of Closing, the Purchaser shall assume and be liable for the Assumed Obligations. The Assumed Obligations shall consist of the following:

- (a) all Transferred Employee Liabilities payable to or related to any Transferred Employees;
- (b) the liabilities and obligations of any NA Debtor under any of the Assumed Contracts; and
- (c) all liabilities arising or accruing from the use of the Purchased Assets and/or the operation of the Business from and after the Closing Date to the extent relating to periods from and after the Closing Date and not related to any default existing at, prior to or as a consequence of Closing; and
- (d) any liability or obligation which is agreed in writing to be assumed by the Purchaser

(the foregoing being the "Assumed Obligations").

2.08 Excluded Liabilities

Except for the Assumed Obligations, the Purchaser is not assuming, and shall not be deemed to have assumed, any liabilities, obligations, Contracts (written or unwritten) or commitments of any NA Debtor (collectively, the "Excluded Liabilities"), whether pursuant to this Agreement or as a result of the transactions described in this Agreement. For the avoidance of doubt, the Purchaser shall not assume or be liable for any liabilities, obligations, Contracts (written or unwritten) or commitments of any NA Debtor that are the subject of litigation or arbitration as of the Closing Date, or that arose prior to the Closing Date and are asserted thereafter, including any such liabilities or obligations that otherwise would be Assumed Liabilities.

2.09 Non-Transferrable and Non-Assignable Purchased Assets

(1) To the extent that any of the Purchased Assets to be transferred to the Purchaser on the Closing, or any claim, right or benefit arising under or resulting from the Purchased Assets (collectively, the "Rights") is not capable of being transferred without the approval, consent or waiver of the other party or parties to it or any third party, or if the transfer of a Right would constitute a breach of any obligation under, or a violation of, any Applicable Law unless an approval, consent or waiver of a third party is obtained, then, except as expressly otherwise provided in this Agreement and without limiting the rights and remedies of the Purchaser contained elsewhere in this Agreement (including its right not to proceed with the Closing), this Agreement

shall not constitute a transfer of such Rights ("**Non-Assigned Rights**") unless and until such approval, consent or waiver has been obtained.

(2) Once the consent, approval or waiver to the assignment of a Non-Assigned Right is obtained on terms satisfactory to the Purchaser, acting reasonably, such Non-Assigned Right shall be deemed to be assigned to the Purchaser and the Purchaser is deemed, as of and from such date, to assume the obligations under such Non-Assigned Rights.

(3) From and after the Closing and until the Non-Assigned Rights are transferred to the Purchaser or expire or are terminated by the other contracting party the Purchaser shall:

- (a) pay the corresponding obligations for periods from and after the Closing Date associated with such Non-Assigned Rights and indemnify and hold the Vendor harmless in respect of any and all, Claims, liabilities, debts, sums of money, accounts, indebtedness, liens of whatever nature that may be made pursuant to or in connection with such Non-Assigned Rights as a result of the completion of the transactions contemplated by this Agreement;
- (b) to the extent within its control, comply with the terms and provisions of such Non-Assigned Rights;
- (c) to the extent the Vendor paid or pays, or causes to be paid, any obligation as referred to in clause (a) above, reimburse the Vendor forthwith; and
- (d) without limiting the Vendor's obligations hereunder, cooperate in the transfer of the Non-Assigned Rights (for greater certainty, other than Excluded Assets) and the obtaining of such necessary approvals, consents or waivers and taking such actions and providing such information, assurances and indemnities as may be reasonably requested.

(4) After the Closing and until the earlier of the date 120 days following the Closing (or such other date as may be agreed to by the Purchaser and the Vendor) and the date the Non-Assigned Rights are transferred to the Purchaser or expire or are terminated by the other contracting party or by the Vendor under the direction of the Purchaser and at the Purchaser's sole risk and expense, the Vendor shall, to the extent within its control and within the scope of its authority in its capacity as Receiver and subject to the direction, if applicable, of the Court and such other court of competent jurisdiction as may be applicable:

- (a) hold, or cause such NA Debtor as applicable to hold, such Non-Assigned Rights in trust for the Purchaser;
- (b) to the extent within its control and possible given the completion of the transactions contemplated by this Agreement, comply, or cause such NA Debtor as applicable to comply, with the terms and provisions of such Non-Assigned Rights as agent for the Purchaser at the Purchaser's cost and for the Purchaser's benefit;
- (c) cooperate, or cause such NA Debtor as applicable to cooperate, with the Purchaser in any reasonable and lawful arrangements designed to provide the benefits of such Non-Assigned Rights to the Purchaser; and

- (d) enforce, or cause such NA Debtor as applicable to enforce, at the request of the Purchaser and at the sole risk and expense and for the account of the Purchaser, any rights of such NA Debtor arising from such Non-Assigned Rights against any third party, including the right to elect, exercise, extend or to terminate any such rights in accordance with the terms of such Non-Assigned Rights upon the written direction of the Purchaser.

(5) In order that the full value of the Non-Assigned Rights may be realized for the benefit of the Purchaser, the Vendor shall, subject to the direction, if applicable, of the Court, the US Court and such other court of competent jurisdiction as may be applicable, at the request, risk and expense and under the direction of the Purchaser, cooperate with the Purchaser and use its commercially reasonable efforts to implement a mutually agreeable arrangement with the Purchaser to take all such action and to do or cause to be done all such things as are reasonably necessary or proper in order that the obligations of the NA Debtors under such Non-Assigned Rights may be performed in such manner that the value of such Non-Assigned Rights is preserved and enures to the benefit of the Purchaser and that any amounts due and payable and to become due and payable to the Purchaser in and under the Non-Assigned Rights are received by the Purchaser.

ARTICLE III CLOSING ARRANGEMENTS

3.01 Closing

Closing shall take place at the Time of Closing on the Closing Date at the offices of the Vendor, or such other time and location as the Parties may agree upon in writing.

3.02 Tender

Any tender of documents or money under this Agreement may be made upon the Parties or their respective counsel and money may be tendered by official bank draft drawn upon a Canadian or U.S. chartered bank, by negotiable cheque payable in funds denominated in the currency of the liability which such money is tendered to directly or indirectly satisfy (or such other currency as the Vendor and Purchaser may agree) and certified by a Canadian or U.S. chartered bank or trust company or, by wire transfer of immediately available funds to the account specified by that Party.

3.03 Vendor's Closing Deliveries

At the Closing, the Vendor shall deliver or cause to be delivered to the Purchaser the following documents:

- (a) if applicable, the election(s) referred to in Section 2.06;
- (b) a copy of the Approval Order, Vesting Order and the U.S. Order and the vesting certificate relating thereto;
- (c) a general conveyance and assumption of liabilities agreement, in a form agreed to by the Vendor and the Purchaser prior to Closing (acting reasonably);
- (d) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Vendor contained in this Agreement are true

as of the Closing Date, with the same effect as though made on and as of the Closing Date;

- (e) a transition services agreement pursuant to which the Vendor will assist with the transition of the Business to the Purchaser, in a form agreed to by the Purchaser and Vendor prior to Closing (acting reasonably);
- (f) an acknowledgement dated as of the Closing Date, that each of the conditions precedent in Section 4.01 of this Agreement have been fulfilled, performed or waived as of the Closing Date;
- (g) a copy of a Receiver's certificate in connection with the purchase and sale transaction contemplated herein; and
- (h) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to complete the transactions provided for in this Agreement.

3.04 Purchaser's Closing Deliveries

At the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor (or as the Vendor may otherwise direct) the following documents and payments:

- (a) the payments in respect of the amounts referred to in Section 2.04;
- (b) if applicable, the election referred to in Section 2.06;
- (c) a general conveyance and assumption of liabilities agreement (pursuant to which, *inter alia*, the Purchaser shall assume the Assumed Liabilities), in a form agreed to by the Vendor and the Purchaser prior to Closing (acting reasonably);
- (d) an assumption agreement regarding the Purchaser assuming Assumed Callidus Debt and related security, in a form agreed to by the Purchaser and Callidus prior to Closing (acting reasonably);
- (e) a transition services agreement pursuant to which the Vendor will assist with the transition of the Business to the Purchaser, in a form agreed to by the Purchaser and Vendor prior to Closing (acting reasonably);
- (f) a bring down certificate dated as of the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (g) an acknowledgement dated as of the Closing Date, that each of the conditions precedent in Section 4.02 of this Agreement have been fulfilled, performed or waived as of the Closing Date; and

- (h) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to complete the transactions provided for in this Agreement.

ARTICLE IV CONDITIONS PRECEDENT

4.01 Conditions Precedent of the Purchaser

The Purchaser shall not be obliged to complete the purchase and sale of the Purchased Assets pursuant to this Agreement unless, at or before the Closing Date (or such other date as may be indicated below), each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Purchaser and may be waived, in whole or in part, in writing by the Purchaser at any time; and the Vendor agrees with the Purchaser to take all such actions, steps and proceedings within its reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Date:

- (a) *Representations and Warranties.* The representations and warranties of the Vendor in Section 5.01 shall be true and correct at the Closing Date;
- (b) *Vendor's Compliance.* The Vendor shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed or complied with at or before Closing and shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the deliveries contemplated in Section 3.03 or elsewhere in this Agreement;
- (c) *No Litigation.* There shall be no litigation or proceedings pending or threatened or order issued by a Governmental Authority against any of the Parties, or involving the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby or otherwise claiming that such completion is improper; and
- (d) *Approval Order and Vesting Order.* The Approval Order shall have been obtained on or by October 30, 2013 and the Vesting Order shall have been obtained by November 25, 2013 or, in each case, such later date as may be agreed to in writing by the Parties and the U.S. Order recognizing the Approval Order and the Vesting Order shall have been obtained on or by November 30, 2013 or such later date as may be agreed to in writing by the Parties.
- (e) *Vendor Authorized Foreign Representative and Recognition of the Canadian Proceeding as a Foreign Main Proceeding by U.S. Court.* Through entry of a final and non-appealable order by the U.S. Court, the Vendor shall have been declared to be the authorized foreign representative of the NA Debtors, the petitions filed by the Vendor on behalf of the NA Debtors in the U.S. Courts under chapter 15 of title 11 of the United States Code (the "**Bankruptcy Code**") shall have been granted and the proceeding commenced in the Court shall have been recognized as a "foreign proceeding".

4.02 Conditions Precedent of the Vendor

The Vendor shall not be obliged to complete the transactions contemplated by this Agreement unless, at or before the Closing Date (or such other date as may be indicated below), each of the following conditions has been satisfied, it being understood that the following conditions are included for the exclusive benefit of the Vendor, and may be waived, in whole or in part, in writing, by the Vendor at any time; and the Purchaser agrees with the Vendor to take all such actions, steps and proceedings within the Purchaser's reasonable control as may be necessary to ensure that the following conditions are fulfilled at or before the Closing Date:

- (a) *Representations and Warranties.* The representations and warranties of the Purchaser in Section 5.02 shall be true and correct at the Closing;
- (b) *Purchaser's Compliance.* The Purchaser shall have performed and complied with all of the terms and conditions in this Agreement on its part to be performed by or complied with at or before the Closing Date and shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing Date all the deliveries contemplated in Section 3.04 or elsewhere in this Agreement;
- (c) *No Litigation.* There shall be no litigation or proceedings pending or threatened or order issued by a Governmental Authority against any of the Parties, or involving the Purchased Assets, for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby or otherwise claiming that such completion is improper; and
- (d) *Approval Order and Vesting Order.* The Approval Order shall have been obtained on or by October 30, 2013 and the Vesting Order shall have been obtained by November 25, 2013 or, in each case, such later date as may be agreed to in writing by the Parties and the U.S. Order recognizing the Approval Order and the Vesting Order shall have been obtained on or by November 30, 2013 or such later date as may be agreed to in writing by the Parties.
- (e) *Vendor Authorized Foreign Representative and Recognition of the Canadian Proceeding as a Foreign Main Proceeding by U.S. Court.* Through entry of a final and non-appealable order by the U.S. Court, the Vendor shall have been declared to be the authorized foreign representative of the NA Debtors, the petitions filed by the Vendor on behalf of the NA Debtors in the U.S. Courts under chapter 15 of title 11 of the Bankruptcy Code shall have been granted and the proceeding commenced in the Court shall have been recognized as a "foreign proceeding".

4.03 Non-Satisfaction of Conditions

If any condition precedent set out in this Article IV is not satisfied or performed prior to the time specified therefor, the Party for whose benefit the condition precedent is inserted may:

- (a) waive compliance with the condition, in whole or in part, in its sole discretion by written notice to the other Party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or

- (b) terminate this Agreement by written notice to the other Party, in which event the Parties shall be released from their respective obligations under this Agreement.

ARTICLE V REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties of the Vendor

As a material inducement to the Purchaser entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Purchaser is entering into this Agreement in reliance upon the representations and warranties of the Vendor set out in this Section 5.01, subject to the granting of the Approval Order, Vesting Order and the U.S. Order, the Vendor hereby represents and warrants to the Purchaser as follows:

- (a) *Appointment.* The Vendor has been duly appointed as the Receiver of all of the property, assets and undertaking of the NA Debtors pursuant to the Receivership Order and the Vendor has authority to exercise the powers contained therein;
- (b) *Due Authorization.* The Vendor has all necessary power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments;
- (c) *HST.* Each NA Debtor required to be registered under Part IX of the *Excise Tax Act* (Canada) is duly registered thereunder;
- (d) *No Litigation.* To the knowledge of the Vendor, there is no litigation, action, suits or proceedings pending or threatened against any NA Debtor, or involving the Purchased Assets for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby;
- (e) *Residence of the Canadian Seller.* Xchange Ontario is not a non-resident of Canada for purposes of Section 116 of the *Income Tax Act* (Canada); and
- (f) *Finders' Fees.* There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Vendor who might be entitled to any fee or commission from the Purchaser or any of its Affiliates upon consummation of the transactions contemplated by this Agreement.

5.02 Representations and Warranties of the Purchaser

As a material inducement to the Vendor entering into this Agreement and completing the transactions contemplated by this Agreement and acknowledging that the Vendor is entering into this Agreement in reliance upon the representations and warranties of the Purchaser set out in this Section 5.02, the Purchaser hereby represents and warrants to the Vendor as follows:

- (a) *Incorporation of the Purchaser.* The Purchaser is a corporation duly incorporated under the laws of the jurisdiction of its incorporation and is duly organized and validly subsisting under such laws;

- (b) *Due Authorization.* The Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and all other agreements and instruments to be executed by it as contemplated by this Agreement and to carry out its obligations under this Agreement and such other agreements and instruments. The execution and delivery of this Agreement and such other agreements and instruments and the completion of the transactions contemplated by this Agreement and such other agreements and instruments have been duly authorized by all necessary corporate action on the part of the Purchaser;
- (c) *Enforceability of Obligations.* This Agreement constitutes a valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms subject, however, to limitations on enforcement imposed by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of the rights of creditors or others and to the extent that equitable remedies such as specific performance and injunctions are only available in the discretion of the court from which they are sought;
- (d) *Approvals and Consents.* Except as otherwise provided herein, no consent or approval of, or filing with or notice to any governmental agency, regulatory body, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser or the purchase of any of the Purchased Assets hereunder;
- (e) *No Litigation.* To the knowledge of the Purchaser, there is no litigation, action, suits or proceedings pending or threatened against the Purchaser for the purpose of enjoining, preventing or restraining the completion of the transactions contemplated hereby;
- (f) *Sufficient Funds.* The Purchaser has sufficient funds or committed financing available to effect the transactions contemplated by this Agreement on the terms set forth herein, and to pay all of its related fees and expenses;
- (g) *Finders' Fees.* There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Purchaser or its Affiliates who might be entitled to any fee or commission from the Vendor or any of their Affiliates upon consummation of the transactions contemplated by this Agreement; and
- (h) *HST.* The Purchaser is or will be a registrant under Part IX of the *Excise Tax Act* (Canada) on the Closing Date.

5.03 Survival of Representations and Warranties

- (a) The representations and warranties of the Vendor contained in Section 5.01 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing.
- (b) The representations and warranties of the Purchaser contained in Section 5.02 or any other agreement, certificate or instrument delivered pursuant to this Agreement shall survive the Closing.

5.04 Acquisition of Assets on “As Is, Where Is” Basis

The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an “as is, where is” basis as they shall exist on the Closing Date, subject to the terms of the Approval Order, Vesting Order and the U.S. Order. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets and that the Purchaser has conducted such inspections of the condition of and title to the Purchased Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations, expressed or implied, pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply hereto and have been waived by the Purchaser. The description of the Purchased Assets contained in the Schedules hereto is for the purpose of identification only. No representation, warranty or condition has or will be given by the Vendor concerning completeness or the accuracy of such descriptions. The Purchaser further acknowledges that all written and oral information (including, without limitation, analyses, financial information and projections, compilations and studies) obtained by the Purchaser from the Vendor or any Debtor with respect to the Purchased Assets or otherwise relating to the transactions contemplated in this Agreement has been obtained for the convenience of the Purchaser only and is not warranted to be accurate or complete. The Purchaser further acknowledges that the Vendor shall be under no obligation to deliver the Purchased Assets to the Purchaser and that it shall be the Purchaser’s responsibility to take possession of the Purchased Assets.

ARTICLE VI INTERIM PERIOD

6.01 Approval Order and Vesting Order

As soon as practicable after the finalization of this Agreement and the execution and delivery of this Agreement by the Purchaser, and in any event by no later than October 30, 2013, the Vendor shall file an application with the Court for an order (the “**Approval Order**”), substantially in the form and substance as approved by the Vendor and the Purchaser, approving this Agreement and approving the sale of the Purchased Assets to the Purchaser and the assumption of the Assumed Obligations by the Purchaser. If, following the completion of the sales process contemplated by the Sales Process Order, a Superior Bid has not been obtained for the Purchased Assets, the Vendor shall file an application with the Court for an order (the “**Vesting Order**”), substantially in the form and substance as approved by the Vendor and the Purchaser, vesting in the Purchaser, upon the delivery to the Purchaser of a Receiver’s certificate, all right, title and interest of the NA Debtors in and to the Purchased Assets, free and clear of all Claims, liabilities and Encumbrances pursuant to the terms and conditions of this Agreement. The application for the Approval Order and the Vesting Order shall be served upon the necessary parties by the Vendor.

As soon as practicable following the granting of the Approval Order and the Vesting Order, the Vendor shall file and serve an application with the U.S. Court for entry of an order (the “**U.S. Order**”), substantially in the form and substance as approved by the Vendor and the Purchaser, that, among other things, (i) recognizes and enforces the Approval Order and the Vesting Order; (ii) authorizes and approves the sale of all of the Purchased Assets free and clear of all Encumbrances;

and (iii) waives any applicable stays of the U.S. Order. The application for the U.S. Order shall be served upon the necessary parties by the Vendor.

6.02 Access

During the Interim Period, the Purchaser shall have reasonable access to the Purchased Assets and the NA Debtors' premises which contain any of the Purchased Assets or records relating thereto during normal business hours and at such other times as agreed to by the Vendor to, among other things, conduct such commercially reasonable inspections of the Purchased Assets as it deems appropriate and plan for the transition of the Business to be operated by the Purchaser. The Purchaser shall not be provided with access to any of the foregoing to the extent that such access would violate or conflict with (i) any Applicable Laws to which the Vendor, any Debtor or any of the Purchased Assets are subject; or (ii) any agreement, instrument or understanding by which any Debtor is bound. The Purchaser shall indemnify and hold harmless the Vendor from and against all claims, demands, losses, damages, actions and costs incurred or arising from or in any way related to the inspection of the Purchased Assets by the Purchaser or attendance by the Purchaser at the Leased Premises, save and except for any claims, demands, losses, damages, actions and costs incurred or resulting from the negligence or wilful misconduct of the Vendor.

6.03 Risk of Loss

The Purchased Assets shall remain at the risk of the Vendor, to the extent of its interest, until Closing. From and after Closing, the Purchased Assets shall be at the risk of the Purchaser.

6.04 Purchaser's Right to Close or Terminate

If, prior to Closing, the Purchased Assets are substantially damaged, destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the transaction by providing written notice to the Vendor of same within five (5) Business Days after notification to the Purchaser by the Vendor of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within five (5) Business Days of the Closing Date), in which event this Agreement shall be terminated automatically without any compensation to the Purchaser and the Parties shall be released from their respective obligations under this Agreement. If the Purchaser does not exercise such option, it shall complete the transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction, if any, without any abatement to the Purchase Price. Where any damage or destruction is not substantial, the Purchaser shall complete the transaction and shall be entitled to an assignment of the proceeds of insurance referable to such damage or destruction provided that such damage or destruction is insured or, otherwise, to an abatement agreed between the Vendor and the Purchaser, each acting reasonably.

6.05 Transfer and Delivery of Purchased Assets

The Purchaser acknowledges that it shall be the Purchaser's sole responsibility to obtain, at its own expense, any consents, approvals (other than the Approval Order, Vesting Order and the U.S. Order) or any further documentation or assurances which may be required to carry out the terms of this Agreement, including in respect of any Purchased Assets subject to lease or any Purchased Assets which are not assignable without the consent or other action of a third party or parties. Notwithstanding the foregoing, the Vendor shall execute and deliver to the Purchaser all such bills of sale, assignments, instruments of transfer, deeds, assurances, consents and other documents as

shall be reasonably necessary to effectively transfer to the Purchaser, or as the Purchaser may direct, all the NA Debtors' right, title and interest in, to and under, or in respect of, the Purchased Assets, provided that any such documents shall contain no representations or warranties of the Vendor except for those provided herein; and the Vendor shall execute and deliver such documents to effect registrations, recordings and filings with Governmental Authorities as may be reasonably required in connection with the transfer of ownership to the Purchaser of the Purchased Assets.

6.06 Conduct of the NA Debtors Prior to the Closing

Unless the Purchaser otherwise consents in writing (which consent shall not be unreasonably withheld or delayed), during the period commencing with the execution and delivery of this Agreement and terminating upon the earlier to occur of the end of the Interim Period or the termination of this Agreement pursuant to and in accordance with Section Error! Reference source not found., the NA Debtors shall conduct their respective operations and business in the ordinary course of business, consistent with past practices and in compliance with all Applicable Laws, and preserve intact its current business organization, keep its physical assets in good working condition, keep available the services of its current officers and employees and preserve its relationships with customers, clients, suppliers and other Persons that relate to its business so that its goodwill and its business shall not be impaired in any material respect.

ARTICLE VII EMPLOYEES

7.01 Employees

(1) Following the execution and delivery of this Agreement by the Parties, the Purchaser may provide the Vendor with a list of Employees to whom it may offer employment (the "**Prospective Employees**") and, in respect of any particular Prospective Employee, such offer of employment shall be effective as of the Closing Date and on terms and conditions substantially similar to the particular Prospective Employee's current terms and conditions of employment. For greater certainty, the Purchaser shall not be obligated to offer employment to any Employee. The Purchaser shall provide the Vendor with a list of the names, if any, of the Prospective Employees at least five (5) days before the Closing Date. Prospective Employees who accept employment with the Purchaser are collectively referred to herein as the "**Transferred Employees**").

(2) The NA Debtors shall be responsible for all Employee Liabilities, including but not limited to all wages, salaries and related employee withholding taxes (but excluding vacation pay) prior to the Closing Date.

(3) The Transferred Employees shall remain employees of their respective current NA Debtor employer until commencement of their employment by the Purchaser on the Closing Date. It is understood that the Purchaser shall have no obligation or liability to any Employee (including the Transferred Employees) or to any Governmental Authority for any premiums for employment insurance, employer health tax, worker's compensation, benefit plans, Canada Pension Plan, accrued wages (but excluding vacation pay), accrued overtime pay, salaries, commissions, incentive compensation, expenses, sick leave benefits and other employee benefits or Taxes which are payable to, received by or accrued in favour of any Employee prior to the Closing Date even if not then due. The Vendor shall be responsible for all wages, notice of termination, severance pay and other obligations including entitlement to benefit coverage and overtime pay to all Employees who are not Transferred Employees.

ARTICLE VIII SALES PROCESS

8.01 Sales Process.

The Parties acknowledge and agree that an order will be obtained from the Court (the “**Sales Process Order**”) which, *inter alia*, will approve and recognize this Agreement and in particular the Purchase Price, as a “stalking horse offer” (the “**Stalking Horse Offer**”) and shall also provide for a marketing process of the Purchased Assets by the Vendor. The Purchaser acknowledges and agrees that the aforementioned marketing process is in contemplation of determining whether a Superior Bid can be obtained for the Purchased Assets.

ARTICLE IX TERMINATION

9.01 Termination by the Parties

This Agreement may be validly terminated:

- (a) upon the mutual written agreement of the Vendor and the Purchaser;
- (b) pursuant to Section 4.03(b) by either Party, in the event any of the conditions precedent which benefit such Party are not satisfied;
- (c) pursuant to Section 6.04 by the Purchaser;
- (d) by the Purchaser or Vendor, if the Approval Order shall have not been obtained on or by October 30, 2013 and the Vesting Order shall have not been obtained by November 25, 2013 or, in each case, such later date as may be agreed to in writing by the Parties or the U.S. Order recognizing the Approval Order and the Vesting Order shall have not been obtained on or by November 30, 2013 or such later date as may be agreed to in writing by the Parties;

in which event the Parties shall be released from their respective obligations under this Agreement and neither Party shall have any right to specific performance, to recover damages or expenses or to any other remedy or relief other than as provided herein.

ARTICLE X POST-CLOSING MATTERS

10.01 Books and Records

The Purchaser shall preserve and keep the Books and Records which relate to the Purchased Assets for a period of two (2) years from the Closing Date or for any longer period as may be required by any Applicable Law or Governmental Authority. Upon reasonable advance notice, after the Closing Date, the Purchaser will grant the Vendor and the NA Debtors and, in the event an NA Debtor is adjudged bankrupt, any trustee of the estate of either of such NA Debtor and its representatives, reasonable access during normal business hours, and a licence free of charge, to use the books, records and documentation included in the Purchased Assets up to the Closing Date, including, without limitation, any employment records of the Transferred Employees relating to the period up to the Closing Date and any Employees engaged by an NA Debtor at or in respect of the

Purchased Assets up to and including the Closing Date, and computer systems, tapes, disks, records and software acquired as part of the Purchased Assets. If the Purchaser intends to destroy the Books and Records it will provide notice of such intention to the Vendor. The Vendor may request and Purchaser shall facilitate the transfer of Books and Records to the Vendor if the Vendor confirms its intention to acquire such Books and Records in lieu of destruction; provided that the Purchaser shall be permitted to destroy such Books and Records if the Vendor does not respond within twenty (20) Business Days of such notice of intention.

10.02 Transferred Employees

Following the Closing Date, the Purchaser shall make available to the Vendor and/or NA Debtors, on a reasonable basis and during normal business hours, the Transferred Employees as may be reasonably requested by the Vendor from time to time as is needed to administer their respective duties in the proceedings under the insolvency proceedings relating to the Debtors provided that the provision of the Transferred Employees as aforesaid does not cause unreasonable disruption to the business operations of the Purchaser.

ARTICLE XI OTHER COVENANTS OF THE PARTIES; GENERAL

11.01 Expenses

Each Party shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred in connection with the transactions contemplated in this Agreement, and the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement. Any commissions or fees payable to any agents or brokers used by the Purchaser shall be for the Purchaser's account and shall be payable by the Purchaser.

11.02 Notices

Any notice, consent or approval required or permitted to be given in connection with this Agreement shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by email:

- (a) in the case of a notice to the Purchaser at:

2393134 Ontario Inc.
c/o Callidus Capital Corporation
Royal Trust Tower
77 King Street West, Suite 4320
Toronto, ON M5K 1K2

Attention: David Reese
Email: dreese@calliduscapital.ca
Fax No.: (416)941-9876

with a copy to Canadian counsel:

Dickinson Wright
199 Bay Street, Suite 2200

Toronto, ON M5L 1G4

Attention: John Leslie
Email: jleslie@dickinsonwright.com
Fax No.: (416)865-1398

And with a copy to U.S. counsel:

Young Conaway Stargatt & Taylor, LLP
Rodney Square
1000 North King Street
Wilmington, DE 19801

Attention: Michael Nestor
Email: mnestor@ycst.com
Fax No.: (302)576-3321

(b) if to the Vendor:

Duff & Phelps Canada Restructuring Inc.
Bay Adelaide Centre
333 Bay St., 14th Floor
Toronto, ON M5H 2R2

Attention: Bobby Kofman & David Sieradski
Email: bobby.kofman@duffandphelps.com
& david.sieradzki@duffandphelps.com
Fax No.: (647) 497-9490

with a copy to Canadian Counsel:

Chaitons LLP
5000 Yonge Street
10th Floor
Toronto, ON M2N 7E9

Attention: Harvey Chaiton
Email: harvey@chaitons.com
Fax No.: (416) 218-1849

And with a copy to U.S. counsel:

Allen & Overy, LLP
1221 Avenue of the Americas
New York, NY 10020

Attention: Ken Coleman
Email: Ken.Coleman@AllenOvery.com
Fax No.: 212 610 6399

Any notice delivered or transmitted to a Party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the notice shall be deemed to have been given and received on the next Business Day.

Any Party may, from time to time, change its address by giving notice to the other Party in accordance with the provisions of this Section.

11.03 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors (including any successor by reason of amalgamation of any Party) and permitted assigns. Neither Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its respective rights or obligations under this Agreement without the prior written consent of the other Party. Notwithstanding the foregoing, the Purchaser may at any time assign all or any portion of its rights or obligations arising under this Agreement to one or more affiliates of the Purchaser or such other persons or entities as the Purchaser may designate, but notwithstanding such assignment, the Purchaser shall not be released from any obligations hereunder. Notwithstanding anything to the contrary contained herein, if the Purchaser assigns all or any part of its respective rights or obligations under this Agreement, notwithstanding such assignment, all representations, warranties, covenants and obligations hereunder of the Purchaser and such assignees shall be joint and several representations, warranties, covenants and obligations of the Purchaser and such assignees.

11.04 No Third Party Beneficiaries

This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. Nothing in this Agreement shall be construed to create any rights or obligations except between the Parties, and no person or entity shall be regarded as a third party beneficiary of this Agreement.

11.05 Time of the Essence

Time shall be of the essence in respect of the obligations of the Parties arising prior to Closing under this Agreement.

11.06 Amendment

No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any Party, shall be binding unless executed in writing by the Party to be bound thereby.

11.07 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each Party shall provide such further documents or instruments required by any other Party as

may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions, whether before or after the Closing provided that the reasonable costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

11.08 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such prohibition or unenforceability and shall be severed from the balance of this Agreement, all without affecting the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

11.09 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

11.10 Effective Time and Execution and Delivery

This Agreement shall not be of any force or effect unless and until the Vendor is appointed as Receiver of all of the assets, undertakings and properties of the NA Debtors and not in its personal capacity. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original or faxed form or by electronic delivery in portable document format (PDF) and the parties adopt any signatures received by a receiving fax machine as original signatures of the parties; provided, however, that any party providing its signature in such manner shall promptly forward to the other party an original of the signed copy of this Agreement which was so faxed or electronically delivered.

IN WITNESS OF WHICH the Parties have executed this Agreement.

**DUFF & PHELPS CANADA RESTRUCTURING
INC.**, in its capacity as Court appointed Receiver of all
of the assets, undertakings and properties of the NA
Debtors and not in its personal capacity

Per: _____

Name: _____

Title: _____

2393134 ONTARIO INC.

Per: _____

Name: _____

Title: _____

D. Reese
David Reese
President

Amended Schedule "A"
Assumed Contracts

1. Contract entered into between IT Xchange Corp and Mainline Information Systems, entered into on February 2, 2012 and continuing indefinitely, in connection with resale of IT Xchange equipment.
2. Contract entered into between Lenovo (Singapore) Pte. Ltd. and IT Xchange Financial Services, LLC, entered into on April 29, 2008 and continuing indefinitely, in connection with leasing equipment.
3. Contract entered into between Lenovo US and IT Xchange Corp. entered into on November 7, 2011 and continuing indefinitely, as a procurement relationship.
4. Contract entered into between CDW Logistics, Inc. and IT. Xchange Corp., entered into on February 9, 2005 and continuing indefinitely, as a supplier agreement.
5. Contract entered into between IT Xchange Financials Services, LLC and Apple Inc. as an authorized reseller.
6. Contract entered into between IT Xchange Corp. and NEC-Mitshubishi Inc. for the NEC Demo Program.
7. Contract entered into between IT Xchange Financial Services LLC and Winthrop Resources Corporation on December 17, 2012 and all subsequent agreements and/or amendments with Winthrop Resources Corporation.
8. All agreements, contracts and authorizations between Xchange Technology Group, LLC, its subsidiaries and any original manufacturers and remarketing companies.
9. The following licenses and permits entered into with IT Xchange Financial Services, LLC.
 - a. 32 Microsoft Windows XP
 - b. 32 Microsoft Office XP
 - c. 32 Microsoft Office CAL
 - d. Segate Crystal Reports (1)
 - e. Photoshop (1)
 - f. Microsoft FrontPage (1)
 - g. Microsoft Xchange 2000 (1)

- h. Opus Coownership Arrangement
 - i. Microsoft Windows 2000 Server (13)
 - j. Microsoft SQL Server (2)
 - k. GFI Mail Essentials
 - l. Arcserve 2000
 - m. Etrust Antivirus (45)
 - n. Helpstar 7.0
 - o. Microsoft Visio 2000
 - p. ASP Upload
 - q. Shiva Access Manager
 - r. Third Party Licenses
10. All partnership agreements entered into between Xchange Technology Group, LLC, its subsidiaries and all current partners, including but not limited to, qualified rental partnerships and Business Partners.
11. All Program Agreements entered into between Xchange Technology Group, LLC, its subsidiaries and all current Program Partners.
12. All Supplier contracts entered into between Xchange Technology Group, LLC, its subsidiaries and Supplier.

Subject to Amendment

Schedule "B"

Leased Premises

1. 9241 Globe Center Drive, Unit 100, Morrisville, NC 27560
2. Abenaki Prof. Pk, Bldg C, 1662 Post Road, Wells, Maine 04090
3. 155 Montgomery St, Suite 505, San Francisco, CA 94104
4. 11 East Adams, Suite 1005, Chicago, Illinois 60603
5. 77 Selleck Street, Stamford, CT 06902
6. 1008 Windward Ridge Parkway, Forsyth County, Alpharetta, Georgia 30005
7. 2831 152nd Avenue NE, Building 10, Suite AB, Redmond, WA 98052

Subject to amendment

Schedule "C"

Purchased Assets

All assets of Xchange Technology Group, LLC (XTG) and all of its subsidiaries, used in connection with the current business, including but not limited to the following:

1. All mutual Confidentiality, Non-disclosure and Non-Solicitation Agreements.
2. All Cash of XTG including; cash on hand, cash at any XTG facility and all monetary sums in all XTG global bank accounts.
3. All XTG accounts receivables as detailed in the account receivable subsidiary ledgers (attached).
4. All XTG Prepaid Expenses.
5. All XTG Inventory as detailed in the inventory subsidiary ledgers (attached).
6. All XTG Debentures receivable to XTG from any sales of all affiliates.
7. All Equity Shares of all Foreign Subsidiaries of XTG.
8. All XTG Fixed Assets as detailed in the fixed asset subsidiary ledger (attached).
9. All XTG Rental Equipment and Rental Equipment Agreements as detailed in the rental equipment subsidiary ledger (attached).
10. All XTG Intangible Assets including, but not limited to all trademarks, copyrights, domain names, and intellectual property.
11. Any other asset of XTG deemed as an XTG asset prior to the official Close Date.

Subject to amendment

Appendix “E”



REPLY TO: HARVEY G. CHAITON
FILE NO.: 53883
DIRECT: 416-218-1129
FAX: 416-218-1849
EMAIL: harvey@chaitons.com

November 4, 2013

VIA EMAIL

VIA FEDERAL EXPRESS - OVERNIGHT

Devang Shah
12 Swallow Lane
North Oaks, MN 55110
U.S.A.

Re: Breach of Non-Disclosure and Non-Solicitation Agreement

Dear Mr. Shah:

We are counsel to Duff & Phelps Canada Restructuring Inc., in its capacity as receiver ("Receiver") of the properties, assets and undertakings of Xchange Technology Group LLC and certain affiliated entities (collectively, "XTG"). The Receiver was appointed pursuant to an Order of the Ontario Superior Court of Justice ("Canadian Court") dated October 29, 2013 (the "Receivership Order"). On October 30, 2013, the Receiver commenced proceedings in the US Bankruptcy Court for the District of Delaware ("US Court") seeking recognition of the Canadian receivership proceeding and enforcement of the Receivership Order in the US under Chapter 15 of the *US Bankruptcy Code*. A copy of the Receivership Order and the Order of the US Court entered on October 30, 2013 is attached for your reference.

The Receivership Order also approved the sale of substantially all of the business and assets of XTG and prohibits anyone from interfering with the performance of the Receiver's powers and duties under the Receivership Order. In particular, paragraph 10 of the Receivership Order, prohibits any person from ceasing to perform any contract or agreement with XTG, without written consent of the Receiver or leave of the court.

It has come to the attention of the Receiver that following your departure from XTG you have been soliciting customers from XTG, in violation of the Non-Disclosure and Non-Solicitation Agreement (NDSA) you entered into on May 1, 2009. This solicitation by you is a direct breach of your agreed obligations according to the terms and conditions of the NDSA and is also a direct breach of the terms of the Receivership Order.

The Receiver requires that you immediately cease and desist from any interference with XTG's business and operations or the sale of the business, including solicitation of XTG's customers that you were in contact with during your employment with XTG. This includes both direct and indirect solicitation for twelve (12) months from October 28, 2013, being your last day of employment with XTG. The customer accounts you were in contact with during the term of your employment with



XTG were and remain the exclusive property of XTG, all of which is subject to the receivership proceedings under the supervision of the Canadian and US Courts.

As previously agreed, any breach of this NDSA will result in irreparable harm to XTG constituting remedies of liquidated damages, injunctive relief and any other legal remedies available to XTG, including contempt proceedings. You can avoid legal action by immediately ceasing and desisting from all prohibited customer solicitation mentioned herein and any interference with the sale of the business or the performance of the powers and duties of the Receiver pursuant to the Receivership Order.

We note that if you continue to solicit customers as prohibited under the NDSA, the Receiver will pursue all legal remedies and damages available at law and will bring these matters to the attention of Courts having jurisdiction in these proceedings.

Please let me know if you have any questions concerning the contents of this letter.

Yours truly,
CHAITONS LLP

A handwritten signature in black ink, appearing to read "Harvey Chaiton", written in a cursive style.

Harvey G. Chaiton
PARTNER

HGC/mg
Encls.

cc: *Bobby Kofman/David Sieradzki (Duff & Phelps Canada Restructuring Inc.)*
Alan Rupp/Bridget Smith (XTG Group)
Ken Coleman (Allen & Overy LLP)



REPLY TO: HARVEY G. CHAITON
FILE NO.: 53883
DIRECT: 416-218-1129
FAX: 416-218-1849
EMAIL: harvey@chaitons.com

November 7, 2013

VIA EMAIL

Devang Shah
12 Swallow Lane
North Oaks, MN 55110
U.S.A.

Re: Non-Disclosure and Non-Solicitation Agreement ("NDSA")

Dear Mr. Shah:

We understand that following our letter dated November 4, 2013 you spoke with Mr. Alan Rupp, the CFO of XTG, and asserted that the NDSA you signed was amended to expire two months following your last day of employment with XTG.

It is the Receiver's position the amendment to the NDSA is invalid and unenforceable for various reasons, including that Jeffrey McFarlane had no authority to agree to, or bind, XTG to any amendments to the NDSA. In addition, there was no legal consideration for the amendments.

Accordingly, your agreement not to solicit customers of XTG remains effective for twelve months following your last date of employment with XTG. As indicated in our letter of November 4, 2013, the Receiver will pursue all legal remedies available at law, including injunctive relief, should you violate the terms of the NDSA.

Yours truly,
CHAITONS LLP

A handwritten signature in black ink, appearing to read "Harvey G. Chaiton", written in a cursive style.

Harvey G. Chaiton
PARTNER

HGC/mg

CC: Bobby Kofman/David Sieradzki (Duff & Phelps Canada Restructuring Inc.)
Alan Rupp/Bridget Smith (XTG Group)
Ken Coleman (Allen & Overy LLP)

Sieradzki, David

From: Shah483@comcast.net
Sent: Monday, November 11, 2013 11:50 AM
To: Harvey G. Chaiton
Cc: Kofman, Bobby; Sieradzki, David; arupp@xtgglobal.com; bsmith@xtgglobal.com; ken coleman; Harvey G. Chaiton
Subject: Re: XTG
Attachments: DOCS-#2849530-v1-XTG_-_Appointment_Order_of_Morawetz__J__dated_October_29__2013.PDF; DOCS-#2851252-v1-XTG_-_Ch_15_-_Order_Grantee_Provisional_Relief_in_aid_of_Canadian_Proceeding.PDF; DOCS-#2853199-v1-XTG_-_Devang_Shah_Cease_&_Desist_ltr_(04-11-13).pdf

Dear Mr. Chaiton:

Regarding your November 4, 2013 letter to me, please provide me specific details of the alleged breach of the Non-Disclosure and Non-Solicitation Agreement. I specifically deny the allegations of the Receiver that I have breached the Non-Disclosure and Non-Solicitation Agreement (NDSA) that I entered into on May 1, 2009 (and which was modified by the parties in August 2013) and that I have breached the terms of the Receivership Order (specifically, paragraph 12 of that order and not paragraph 10, as you state in your letter). By this email, I in no way waive any argument or defense that the NDSA is unenforceable against me.

Regards,

Devang Shah

From: "Harvey G. Chaiton" <Harvey@chaitons.com>
To: shah483@comcast.net
Cc: "Bobby.Kofman@duffandphelps.com" <Bobby.Kofman@duffandphelps.com>, "David.Sieradzki@duffandphelps.com" <David.Sieradzki@duffandphelps.com>, arupp@xtgglobal.com, bsmith@xtgglobal.com, "ken coleman" <ken.coleman@allenoverly.com>, "Harvey G. Chaiton" <Harvey@chaitons.com>
Sent: Monday, November 4, 2013 12:31:06 PM
Subject: XTG

Please see Mr. Chaiton's letter of today's date.

Sieradzki, David

From: Shah483@comcast.net
Sent: Monday, November 11, 2013 11:49 PM
To: Harvey G. Chaiton
Cc: Kofman, Bobby; Sieradzki, David; arupp@xtgglobal.com; Bridget Smith; ken coleman; Harvey G. Chaiton
Subject: Re: XTG
Attachments: DOCS-#2857814-v1-XTG_-_Devan_Shah_letter_(07-11-13).pdf

Mr Chaiton,

Thank you for your November 7th e-mail. A copy of your original letter is attached.

a. I must mention that it looks as you haven't fully read my original Employment Agreement dated May 1, 2009. The reason I think this is your communications keep referencing a twelve month NDSA. In the original agreement, the period of the NDSA was reduced to 6 months if I was terminated without cause. I have included an excerpt of the original agreement below. For your convenience, I highlighted the section that would apply:

Term and Termination

The term of your employment (the "Term") with the Company shall commence on the date of your acceptance of this Offer and shall continue for an initial term of three (3) years and shall automatically renew for subsequent terms of one (1) year until terminated, at any time, by:

(a) By mutual consent;

(b) By you upon thirty (30) days prior written notice being delivered to the Company, which notice may be waived, in whole or in part by the Company. In this circumstance the Company will pay you commissions on your completed and identifiable sales transactions for which it receives payment in the 90 days following the cessation of your employment.

(c) By the Company, without cause, in which case the Company shall pay to you a series of payments ("periodic payments"), paid on the same periodic schedule as your salary was paid to you, in the aggregate amount of your average three months total earnings over the past 12 months. In this circumstance, the 12 month period indicated in your Non-Disclosure and Non-Solicitation Agreement, section 1i), shall be reduced to 6 months from 12 months.

b. Jeffrey McFarlane and I entered into the NDSA on May 1, 2009. Both of us chose to amend this document on August 3, 2013. Regardless of the receiver's position, Jeffrey McFarlane did have authority at the time. Or minimally to me the employee, Jeffrey McFarlane did have apparent authority. My amendment was entered into with Mr. McFarlane who at the time was the CEO of XTG and was witnessed and encouraged by my supervisor David Hoeffel (General Manager - PartStock). The legal consideration given was my continued employment at XTG/PartStock. I had tendered my resignation on June 17, 2013 and my last day was going to be July 19th, 2013. I was open to staying a little longer to help with a smooth transition and David Hoeffel requested that I stay until August 9th, 2013. I agreed to stay until that date. Both Mr. McFarlane and Mr. Hoeffel were diligently asking me to reconsider. The amendment to my agreement so PartStock could continue to retain my services was agreed to on August 3, 2013. It remains my position that my NDSA will expire on December 28, 2013.

Regards,

Devang Shah

From: "Harvey G. Chaiton" <Harvey@chaitons.com>
To: shah483@comcast.net
Cc: "Bobby Kofman" <Bobby.Kofman@duffandphelps.com>, "David Sieradzki" <David.Sieradzki@duffandphelps.com>, arupp@xtgglobal.com, "Bridget Smith" <bsmith@xtgglobal.com>, "ken coleman" <ken.coleman@allenoverly.com>, "Harvey G. Chaiton" <Harvey@chaitons.com>
Sent: Thursday, November 7, 2013 10:20:48 AM
Subject: XTG

Please see Mr. Chaiton's letter of today's date.

Harvey G. Chaiton

Partner

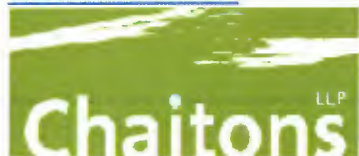
Direct Tel: 416.218.1129

Direct Fax: 416-218-1849

Harvey@chaitons.com

5000 Yonge Street, 10th Floor, Toronto, Canada, M2N 7E9

www.chaitons.com





From: Shah483@comcast.net [<mailto:Shah483@comcast.net>]

Sent: Monday, November 11, 2013 11:48 PM

To: Harvey G. Chaiton

Cc: Bobby Kofman <Bobby.Kofman@duffandphelps.com>; David Sieradzki <David.Sieradzki@duffandphelps.com>; arupp@xtgglobal.com <arupp@xtgglobal.com>; Bridget Smith <bsmith@xtgglobal.com>; ken coleman <ken.coleman@allenoverly.com>; Harvey G. Chaiton

Subject: Re: XTG

Mr Chaiton,

Thank you for your November 7th e-mail. A copy of your original letter is attached.

a. I must mention that it looks as you haven't fully read my original Employment Agreement dated May 1, 2009. The reason I think this is your communications keep referencing a twelve month NDSA. In the original agreement, the period of the NDSA was reduced to 6 months if I was terminated without cause. I have included an excerpt of the original agreement below. For your convenience, I highlighted the section that would apply:

Term and Termination

The term of your employment (the "Term") with the Company shall commence on the date of your acceptance of this Offer and shall continue for an initial term of three (3) years and shall automatically renew for subsequent terms of one (1) year until terminated, at any time, by:

(a) By mutual consent;

(b) By you upon thirty (30) days prior written notice being delivered to the Company, which notice may be waived, in whole or in part by the Company. In this circumstance the Company will pay you commissions on your completed and identifiable sales transactions for which it receives payment in the 90 days following the cessation of your employment.

(c) By the Company, without cause, in which case the Company shall pay to you a series of payments ("periodic payments"), paid on the same periodic schedule as your salary was paid to you, in the aggregate amount of your average three months total earnings over the past 12 months. In this circumstance, the 12 month period indicated in your Non-Disclosure and Non-Solicitation Agreement, section 1i), shall be reduced to 6 months from 12 months.

b. Jeffrey McFarlane and I entered into the NDSA on May 1, 2009. Both of us chose to amend this document on August 3, 2013. Regardless of the receiver's position, Jeffrey McFarlane did have authority at the time. Or minimally to me the employee, Jeffrey McFarlane did have apparent authority. My amendment was entered into with Mr. McFarlane who at the time was the CEO of XTG

and was witnessed and encouraged by my supervisor David Hoeffel (General Manager - PartStock). The legal consideration given was my continued employment at XTG/PartStock. I had tendered my resignation on June 17, 2013 and my last day was going to be July 19th, 2013. I was open to staying a little longer to help with a smooth transition and David Hoeffel requested that I stay until August 9th, 2013. I agreed to stay until that date. Both Mr. McFarlane and Mr. Hoeffel were diligently asking me to reconsider. The amendment to my agreement so PartStock could continue to retain my services was agreed to on August 3, 2013. It remains my position that my NDSA will expire on December 28, 2013.

Regards,

Devang Shah

Sieradzki, David

From: Mary Gartland <MaryG@chaitons.com> on behalf of Harvey G. Chaiton
<Harvey@chaitons.com>
Sent: Thursday, November 14, 2013 9:51 AM
To: shah483@comcast.net
Cc: Sieradzki, David; Kofman, Bobby; arupp@xtgglobal.com; Bridget Smith; Harvey G. Chaiton
Subject: XTG
Importance: High

Mr. Shah,

I acknowledge receipt of your e-mail enclosed below.

It remains the position of the Receiver that there was no legal consideration received by XTG with respect to the alleged amendments to the NDSA and thus the amendments are not valid or enforceable. Your continued employment with XTG was not valid consideration as Minnesota is an employment "at will" state and neither party to your employment agreement was bound to continue your employment with the company.

Also, as previously mentioned, Mr. McFarlane did not have any authority to enter into the Amending Agreement or bind XTG to it. Mr. McFarlane's lack of authority was also known to David Hoeffel.

Additionally, the Receiver has been informed that you were actively soliciting the customers of PartStock and sending the customers to FireFly, a non-arm's length competitor, prior to your termination in October 2013 and the purported amendment to the NDSA that allegedly was entered into on August 3, 2013. As a result, you were in breach of the terms of the NDSA and your duty of loyalty to PartStock during the course of your employment prior to the date the alleged amendments to the NDSA were agreed to.

Accordingly, your agreement to not solicit customers of XTG remains effective for twelve months following your last date of employment with XTG. Should you continue to violate the terms of the NDSA, the Receiver will seek damages and injunctive relief against you and Firefly without further notice.

Finally, we understand that you may owe XTG a significant amount of money as an over advance of your commission. We will advise you of the precise amount once it has been calculated.

Govern yourself accordingly.

Yours truly,

Harvey G. Chaiton
Partner
Direct Tel: 416.218.1129
Direct Fax: 416-218-1849
Harvey@chaitons.com

5000 Yonge Street, 10th Floor, Toronto, Canada, M2N 7E9
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