
**Third 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**

April 25, 2014

Contents

Page

1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.2	Restrictions	2
1.3	Currency	3
2.0	Background Information.....	3
2.1	Sale of Assets	4
3.0	XTR	4
3.1	Prospective XTR Transaction.....	6
3.2	XTR Transaction Recommendation.....	7
4.0	Conclusion and Recommendation	8

Table of Appendices

Appendix

Tab

Receivership Order dated October 29, 2013.....	A
First Report to Court dated November 19, 2013 (without appendices)	B
Sale Agreement (redacted version)	C

Confidential Appendix

Tab

Sale Agreement (unredacted version).....	Confidential Appendix “1”
--	---------------------------

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

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

APRIL 25, 2014

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 ("XTG Parent"), 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, namely 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) ("XTR") (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 is attached as Appendix "A".

-
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 and November 25, 2013, the US Court entered an order granting provisional relief in aid of the Canadian proceeding and the Recognition Order, respectively.
 5. The primary purpose of these proceedings has been to complete a sale of 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 these proceedings;
 - b) Summarize the present state of XTR's business;
 - c) Summarize a proposed transaction (the "XTR Transaction") between the Receiver and Herr Siegbert Herbert Franz, a member of XTR's management team and sole director of XTR (the "Purchaser"), which contemplates the sale of the 100% equity interest owned by XTG Parent in XTR (the "XTR Shares") pursuant to a Share Purchase Agreement (the "Sale Agreement"); and
 - d) Recommend that this Honourable Court issue an Order:
 - Approving the XTR Transaction and authorizing the Receiver's execution of the Sale Agreement and any other ancillary documents, agreements, consents and resolutions necessary to complete the XTR Transaction;
 - Vesting title in and to the XTR Shares in the Purchaser free and clear of all liens, claims and encumbrances; and
 - Sealing the Confidential Appendix to this Report pending further Order of this Court.

1.2 Restrictions

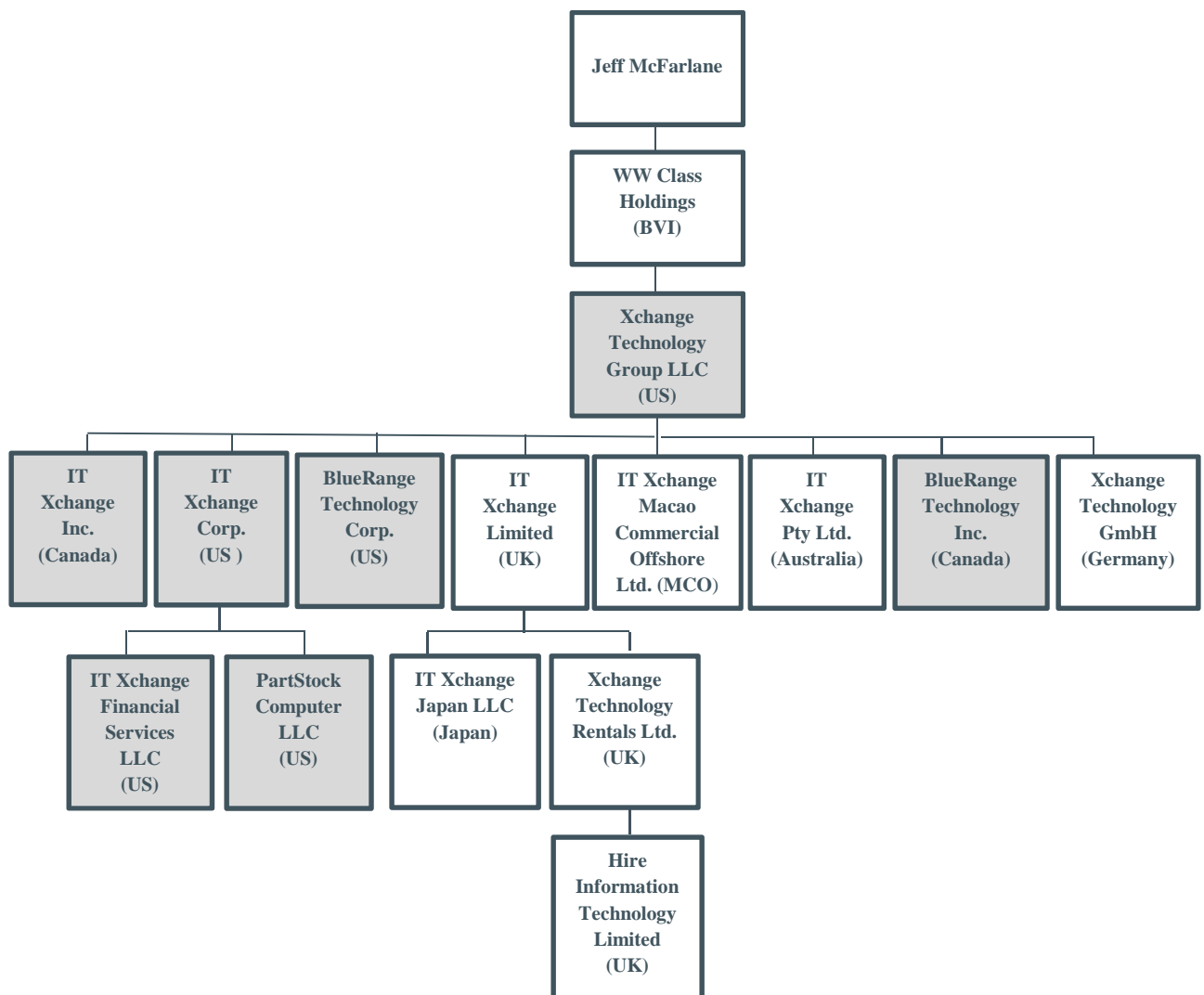
1. In preparing this Report, the Receiver has relied upon unaudited financial information prepared by XTG Group's management, XTG Group's books and records and discussions with its management. The Receiver has not performed an audit or other verification of such information. An examination of the XTG 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

1. XTG Group was founded in 1996 in Ontario by Jeff 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.

2.1 Sale of Assets

1. On November 22, 2013, the Court approved the sale of the majority of the XTG Debtors' assets, property and undertaking, including the XTR Shares, to 2393134 Ontario Inc., an entity incorporated by Callidus Capital Corporation ("Callidus"), the XTG Debtors' senior secured lender ("Transaction"). The US Court approved the Transaction on November 25, 2013.
2. Due to the complexity of the Company's global organizational structure, the Transaction has not yet closed. It is expected to close once tax and corporate structuring issues in connection with the Transaction have been resolved.
3. Callidus is presently owed approximately \$40 million on a secured basis. Following completion of the Transaction, its secured claim against the XTG Debtors would be approximately \$3 million.
4. Additional background information on the XTG Group, the Sale Process and the Transaction were detailed in the Receiver's First Report to Court dated November 19, 2013, a copy of which is attached as Appendix "B", without appendices. As detailed in the First Report, other than the offer from the Callidus affiliate, no offers were submitted under the Sale Process, including for XTR's business and assets.

3.0 XTR

1. XTR is based in Germany; it is in the IT rental asset business and has approximately 70 employees. It was acquired by the XTG Group in 2011 out of the German insolvency proceedings of Livingston Electronic Services GmbH. Since the acquisition, XTR has incurred significant losses, as detailed in the table below.

(\$000s)	Year ended December 31, 2012	Year ended December 31, 2013	Two months ended February 28, 2014
Sales	17,648	17,057	2,202
Gross profit (\$)	8,919	4,592	618
EBITDA	2,020	(546)	(300)
EBIT	(652)	(3,181)	(582)
Net income/(loss)	(1,047)	(3,522)	(640)

2. As reflected in the above table, XTR incurred net losses of approximately \$1.1 million, \$3.5 million and \$640,000 for its fiscal years ended December 31, 2012 and 2013 and the two month period ended February 28, 2014, respectively.

3. XTR's most recent balance sheet (as at February 28, 2014) is summarized as follows:

Balance Sheet February 28, 2014 (unaudited; \$000s)	
<u>Assets</u>	
Cash	60
Accounts receivable	810
Inventory	2,747
Prepaid expenses and other	46
Subtotal – current assets	3,663
Fixed assets	32
Total Assets	3,695
<u>Liabilities</u>	
Accounts payable	1,353
Other liabilities	2,035
Intercompany payables	2,333
Subtotal – current liabilities	5,721
Deferred revenue	333
Total Liabilities	6,054
<u>Shareholder Equity</u>	
Share Capital	2,860
Retained earnings	(5,219)
Total Equity/(Deficit)	(2,359)
Total Liabilities and Equity	3,695

4. The February 28, 2014 balance sheet reflects, *inter alia*:
- Negative working capital of approximately \$2.1 million;
 - Approximately \$2.3 million owing to the XTG Debtors, which appears to be uncollectible and is to be converted to equity as part of the XTR Transaction – this represents operational funding provided by the XTG Debtors; and
 - Negative retained earnings and negative equity of approximately \$5.2 million and \$2.4 million, respectively.
5. Based on discussions with XTG Group's management and XTR's financial information provided to the Receiver, the Receiver further understands that:
- The majority, if not all, of XTR's accounts payable (\$1.4 million) are past due;

-
- Inventory (book value of approximately \$2.7 million) is aged and requires replenishment;
 - The financial position of XTR has continued to erode since February 28, 2014; and
 - XTR is undercapitalized; it has limited funding available to continue to operate in the normal course. It is under vendor pressure. As a result, XTG Group's management has continuously received urgent funding requests from XTR's management.
6. According to the Receiver's German counsel, German insolvency law requires that the XTR Transaction be completed expeditiously, failing which there may be a requirement for XTR's management to promptly commence insolvency proceedings.
7. Given that the Callidus transaction has not yet been completed and the urgency to monetize the XTR Shares based on XTR's present financial position, the Receiver is proposing to enter into the XTR Transaction at this time.

3.1 Prospective XTR Transaction

1. The terms of the Sale Agreement are summarized below.
- Purchaser: The Purchaser is Mr. Franz, the sole director of XTR and a member of its present management team.
 - Purchase Price: The Receiver believes the purchase price should remain confidential at this time in the event that the XTR Transaction does not close. No party will be prejudiced if the value of the XTR Transaction is sealed. Accordingly, the Receiver believes the proposed sealing order is appropriate in the circumstances.
 - Purchased Assets: The XTR Shares.
 - Representations and Warranties: The Sale Agreement is consistent with insolvency transactions, i.e. to be completed on an "as is, where is" basis without material representations and warranties. To the extent the Sale Agreement includes statements regarding XTR and/or the XTR Shares, they have been confirmed by the XTG Debtors' internal legal counsel and the Sale Agreement provides generally that there is no recourse against the Receiver.
 - Closing Date: The Receiver expects to close the XTR Transaction shortly following the return of this motion, subject to the Court's approval of the XTR Transaction and issuance of the proposed Vesting Order.
 - Conditions: Other than approval from this Honourable Court, there are no material conditions precedent.

-
- Intercompany Claim: It is contemplated that the intercompany advances owing from XTR to the XTG Debtors are to be waived and converted to equity.
2. A redacted version of the Sale Agreement is provided in Appendix “C” and an unredacted version is filed as Confidential Appendix “1”.
 3. The Receiver and the Purchaser have entered into a Deposit Agreement, pursuant to which the Purchaser will be funding a deposit on April 28, 2014 into the trust account of the Receiver’s German counsel (which shall be received no later than April 29, 2014). The deposit is only refundable should the conditions precedent to the Sale Agreement not be satisfied, including the granting of the Vesting Order. Should the deposit not be funded in accordance with the Deposit Agreement, the Receiver has advised the Purchaser that it will not proceed with the XTR Transaction and will withdraw its sale approval motion returnable May 1, 2014.

3.2 XTR Transaction Recommendation

1. The Receiver recommends approval of the XTR Transaction for the following reasons:
 - In the Receiver’s view, the purchase price for the XTR Shares provides for the greatest recovery available in the circumstances given that (a) there is unlikely to be any value to the XTR Shares absent the XTR Transaction and/or in the event that XTR’s assets were liquidated in the context of German insolvency proceedings; and (b) the value of the XTR Transaction is estimated to exceed the realizable value of the XTG Debtors’ intercompany claim against XTR in the event XTR commences insolvency proceedings;
 - Given the poor state of XTR’s business, a further marketing process (for which there is no known source of funding) is unlikely to result in a transaction superior to the XTR Transaction. Additionally, there is no time to conduct such a process and the cost of the process could exceed the recoveries generated from it;
 - It eliminates the uncertainty and considerable distraction for management of the XTG Debtors resulting from frequent and urgent funding requests submitted to management, who are focused on implementing the balance of their restructuring plan;
 - Callidus, being the XTG Debtors’ principal secured creditor and the only stakeholder with an economic interest in these proceedings, has consented to the XTR Transaction; and
 - It provides for the continuation of XTR’s business, thereby preserving employment for approximately 70 employees in Germany.

4.0 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 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 “A”

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE.

LA PRÉSENT ATTEST QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau

DATED AT TORONTO THIS 29th DAY OF OCT 20 13
FAIT À TORONTO LE 29th JOUR DE OCT 20 13

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

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.

JUSTICE MORAWETZ

)
)
)

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH, IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE.

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau.

- 2 -

DATED AT TORONTO THIS 21 DAY OF JANUARY 2013
FAIT À TORONTO LE 21 JOUR DE JANVIER 2013

REGISTRAR

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHAQUE DES PAGES EST REVÊTUE DU SCAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU

- 3 -

DATED AT TORONTO THIS 27th DAY OF OCTOBER 2001
FAIT À TORONTO LE

Debtors;

REGISTRAR

GREFFIER

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 ;

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHAQUE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau

- 4 -

DATED AT TORONTO THIS 27th DAY OF OCTOBER 2013
FAIT À TORONTO LE 27 OCT 2013

REGISTRAR

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS CASE.

LA PRÉSENT ATTESTE QUE LE DOCUMENT, DONT CHAQUE DES PAGES EST STAMPÉ AVEC LE Sceau de la Cour Supérieure de Justice à Toronto, EST UNE COPIE CONFORME DU DOCUMENT DÉPOSÉ DANS CE DOSSIER.

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE.

LA PRÉSENT ATTEST QUE CE DOCUMENT, DONT CHAQUE DES PAGES EST REVÊTUE DU SCAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT

- 6 -

DATED AT TORONTO THIS 29 DAY OF OCT 2013
FALL TORONTO
REGISTRAR

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document

- 7 -

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
FAIT À TORONTO

REGISTRAR

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.

LA PRÉSENT ATTEST QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice, EST UNE COPIE CONFORME CONSERVÉE DANS CE BUREAU

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE COURT OF JUSTICE, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

DATE AT TORONTO THIS 27 JANUARY 2013

GREFFIER

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

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS COURT.

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHAQUE DES PAGES EST REVERTE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document en file dans ce tribunal.

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.

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau

- 11 -

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.

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE.

LA PRÉSENT ATTESTE QUE CE DOCUMENT, DONT CHAQUE DES PAGES EST REVÊTUE DU SCAU DE LA COUR SUPÉRIEURE DE JUSTICE À TORONTO, EST UNE COPIE CONFORME DU DOCUMENT CONSERVÉ DANS CE BUREAU.

- 12 -

GENERAL

89 DAY OF OCT 20 13

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.

THIS IS TO CERTIFY THAT THIS DOCUMENT, EACH PAGE OF WHICH IS STAMPED WITH THE SEAL OF THE SUPERIOR COURT OF JUSTICE AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

LA PRÉSENT ATTEST QUE CE DOCUMENT, DONT CHACUNE DES PAGES EST REVÊTUE DU Sceau de la Cour Supérieure de Justice à Toronto, est une copie conforme du document conservé dans ce bureau

- 13 -

DATED AT TORONTO
FAIT À TORONTO LE

JOUR DE

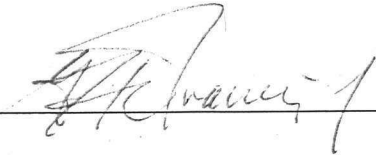
31st 29th ^{OCT 2013} THIS COURT ORDERS that confidential appendices 1, 2, 3 and 5 to the Report be and are hereby sealed pending further Order of this Court.

REGISTRAR

GREFFIER

ENTERED AT / INSCRIT À TORONTO
CN / POCHÉ NO
LE / DANS LE REGISTRE NO

OCT 29 2013



CALLIDUS CAPITAL CORPORATION
Applicant

-and-
Respondents

XCHANGE TECHNOLOGY GROUP LLC

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

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

ORDER

DICKINSON WRIGHT LLP
Barristers & Solicitors
199 Bay Street, Suite 2200
P.O. box 447 Commerce Court Postal Station
Toronto, ON M5L 1G4

JOHN LESLIE
LSUC Registration No. 29956P
Email: jleslie@dickinsonwright.com
Tel: (416) 646-3801

LISA S. CORNE
LSUC Registration No. 27674M
EMAIL: lcorne@dickinsonwright.com
Tel: (416) 646-4608

Fax: (416) 865-1398

Lawyers for the applicant

Appendix “B”

**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

Contents

Page

1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.2	Currency	2
2.0	Background Information.....	3
3.0	Sale Process	4
3.1	Sale Process Overview	4
3.2	Sale Process Results	5
4.0	The Transaction.....	5
4.1	Recommendation	7
5.0	Non-Disclosure and Non-Solicitation Agreement	8
6.0	Overview of the Receiver's Activities	9
7.0	Conclusion and Recommendation	10

Table of Appendices

Appendix

Tab

Receivership Order and Endorsement dated October 29, 2013.....	A
Provisional Relief Order of the US Court dated October 30, 2013	B
Proposed Receiver's Report dated October 25, 2013 (without appendices)	C
Stalking Horse Agreement dated October 25, 2013.....	D
Correspondence involving Devang Shah (November 4, 7, 11 and 14, 2013).....	E

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".

-
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

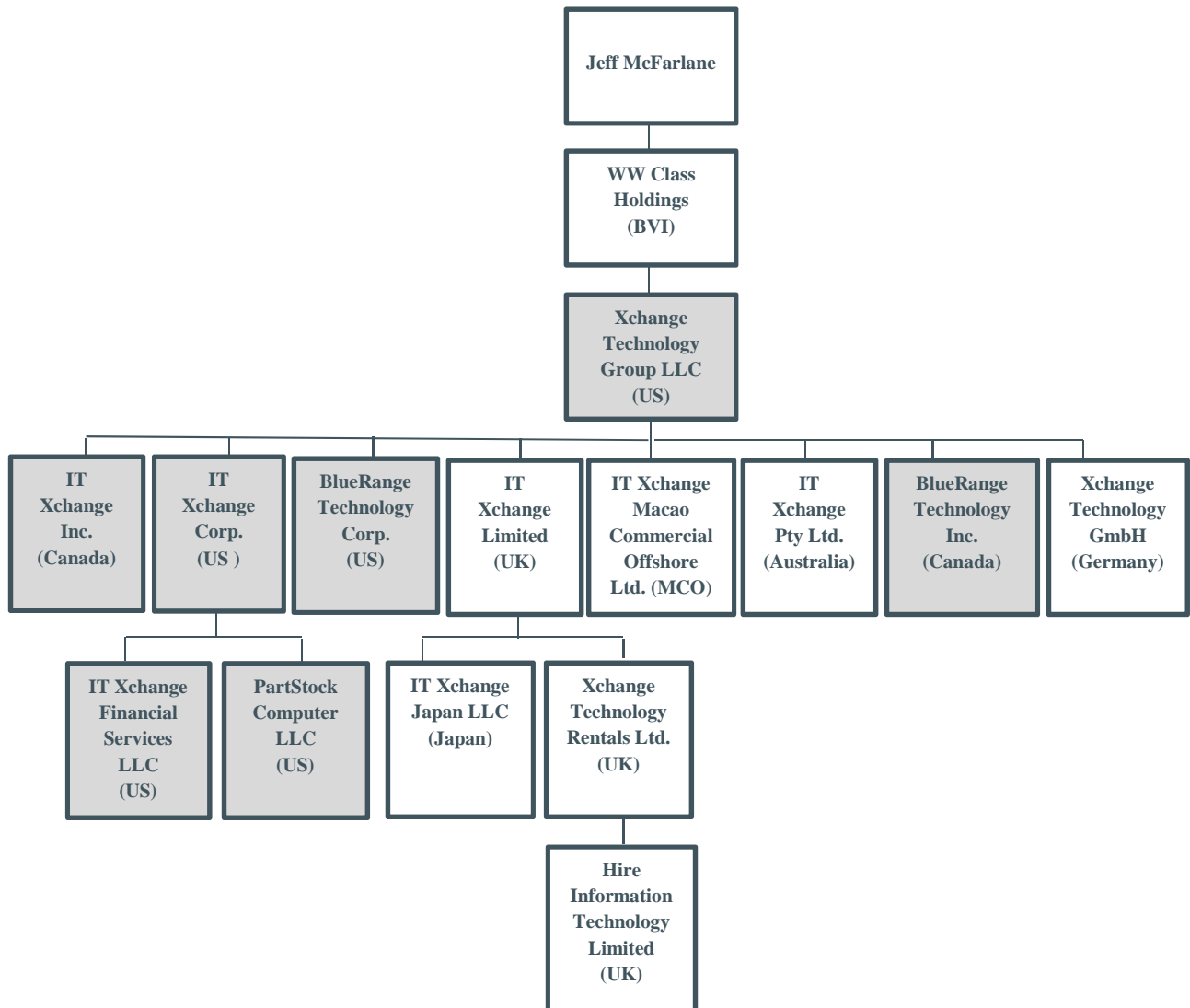
1. The purposes of this report are to:
 - a) Provide background information about the XTG Group;
 - b) Summarize the results of the Sale Process carried out by the Receiver in accordance with the Receivership Order;
 - c) Summarize a transaction (the “Transaction”) between the Receiver and 2393134 Ontario 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.

-
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;

-
- 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.

-
- 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

-
- 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*;

-
- 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 “C”

AGREEMENT

regarding

the sale and purchase of all shares in

Xchange Technology GmbH

(TO BE NOTARIZED)

§ 1 Preliminary note

(1) According to the records of the Company (defined below) and without independent verification by the Seller:

(a) The Company has a registered capital of EUR 25,000.00. Seller owns the share No. 1 with a nominal value of EUR 1,000.00 and the share No. 2 with a nominal value of EUR 24,000.00 in the Company (share No. 1 and share No. 2 hereinafter also referred to as the "**Shares**"). No more shares in the Company exist. The list of shareholders showing this share-ownership ratio is attached as **Exhibit 1**;

(b) The shares are fully paid into the Company; and

(c) the articles of the Company as of May 18, 2011 were last amended by shareholders' resolution as of June 19, 2012.

(2) To the best of the Seller's knowledge based solely upon discussions with the Chief Financial Officer and internal legal counsel of the Company, Xchange Technology Group LLC is the legal and beneficial owner of the Shares.

(3) Subject to the issuance of the Vesting Order, the Seller has the power, authority and capacity to transfer Xchange Technology Group LLC's right, title and interest in the Shares free and clear of any claims of any party.

§ 2 Transfer

(1) Seller herewith sells and assigns with effect in rem the Shares to Buyer, subject to the condition precedent according to § 2 (3). Buyer accepts the sale and assignment.

(2) Xchange Technology Group LLC is entitled to profits for which appropriation was resolved up to now and Buyer is entitled to profits whose appropriation will be resolved henceforth.

(3) The sale and assignment of the Shares with effect in rem is subject to the condition precedent of (i) the issuance of the Vesting Order (as defined below) and (ii) the complete payment of the Purchase Price according to § 3.

§ 3 Consideration

(1) The purchase price amounts to [REDACTED] ("**Purchase Price**").

(2) The Purchase Price is due for payment on the Seller's bank account eight business days after delivery to the notary of a certified and apostilled copy of the issued Vesting Order (as defined below). The notary is to promptly inform the Buyer of the receipt of the Vesting Order by fax to the fax-number #49 (0) 6151 - 9344222. The Seller shall promptly send the acting notary confirmation of the receipt of the Purchase Price by fax to the fax-number #49 (0) 69 - 97130 100. The notary shall then file the list of shareholders with the Commercial Register.

§ 4 Prerequisite for legal validity (Vesting Order) and Signing Deliverables

(1) The obligations of the Seller and the Buyer hereunder are subject to the mutual conditions that an order or orders be made by the Ontario Superior Court of Justice (Commercial List) approving this Agreement and vesting in the Buyer all the right, title and interest of Xchange Technology Group LLC, if any, in the Shares free and clear of all liens, security interests, encumbrances and third party rights ("**Vesting Order**"). The Vesting Order shall be in form and substance satisfactory to the Seller and the Buyer, acting reasonably. For greater certainty, the Vesting Order shall be in the form approved by the "Ontario Commercial List Users Committee". The Seller shall promptly send the acting notary a certified and apostilled copy of the issued Vesting Order.

(2) As at the notarization of this Agreement, the Seller has provided to the Buyer:

(a) A duly executed shareholder's resolution of the Company dated prior to the date of notarization of this Agreement according to which the Seller has waived any claims against the Company and provided for the respective amounts to be booked into the Company's capital reserve according to sec. 282 para. 2 no. 4 German Commercial Act (*HGB*).

(b) A duly executed declaration on inter-company balances between IT Xchange Inc., IT Xchange Corp., IT Xchange Financial Services LLC, BlueRange Technology Inc. (together, the "**Entities**") and the Company dated prior to the date of notarization of this Agreement according to which the Entities have waived any and all claims against the Company and *vice versa*.

(c) A duly executed letter from Callidus Capital Corporation dated prior to the date of notarization of this Agreement on the release and waiver of any share pledge and any other rights with respect to the Shares and its consent to the sale of the Shares by the Seller.

(d) A pdf-copy of the Vesting Order.

§ 5 Scope of liability

(1) The Buyer acknowledges that the Seller is selling and the Buyer is purchasing the Shares (and the Company's business) on an "as is, where is" basis as they shall exist on the date of the assignment of the Shares.

(2) Except as otherwise set out herein and except for mandatory law requiring otherwise, in particular Sections 123 and 276 para. 3 BGB, any liability of the Seller and any rights or claims of the Buyer, irrespective of their nature or legal basis, are hereby expressly excluded and waived, including any right to rescind or to withdraw from this Agreement, to claim remediation, to reduce the Purchase Price and/or to claim damages or reimbursement of frustrated expenditure. The foregoing shall apply in particular, without limitation, to any rights and claims arising from or in connection with (i) defects in quality or title pursuant to Sections 437 to 441 BGB, (ii) breach of any contractual or pre-contractual obligation (*culpa in contrahendo*), including claims pursuant to Sections 241 para. 2, 311 para. 2 and para. 3 BGB or ancillary obligations including claims pursuant to Section 280 BGB, (iii) tort, (iv) interference with the contractual basis pursuant to Section 313 BGB, or (v) any other legal basis, such as, without limitation, any rights and claims for intentional behaviour of the persons assisting the Seller in the performance of its contractual obligations pursuant to Section 278 BGB.

(3) Except as otherwise expressly provided herein, the Buyer further acknowledges that sale of the Shares hereunder is made on the basis that there are no representations, warranties or conditions, express or implied, made by the Seller or by anyone on its behalf with respect to the Shares or the Company's business, that the Buyer has entered into this Agreement on the basis that the Seller does not guarantee title to the Shares, and that the Buyer has conducted such inspections of the condition of the Shares and of the Company's business as it deems appropriate and has satisfied itself with regard to these matters. The description of the Shares contained in this Agreement are for the purposes of identification only and no representation, warranty or condition has or will be given by the Seller concerning the accuracy of such description. The Buyer further acknowledges that all written and oral information (including, without limitation, financial information and projections,) obtained by the Buyer from the Seller, the Company or Xchange Technology Group LLC with respect to the Shares, the business of the Company or otherwise relating to the transactions contemplated in this Agreement has been obtained for the convenience of the Buyer only and is not warranted to be accurate or complete.

§ 6 Company Name

(1) The Buyer and the Company undertake not to use the terms "Xchange" or "Xchange Technology" as company name or in any other way for any other entity except for the Company and its subsidiaries from time to time (the Company and its subsidiaries from time to time together, the "**Buyer's Group Companies**"). The Buyer and the Company furthermore undertake not to use the terms "Xchange" or "Xchange Technology" as company name or in any other way for the Buyer's Group Companies ex-

cept than in the wordcombination "Xchange Technology" or "Xchange Technology Rentals" (hereinafter also referred to as "**XTR name**").

(2) The Buyer and the Company agree that in using the XTR name, the Buyer and the Buyer's Group Companies will not state or imply either directly or indirectly that they or their activities are supported, endorsed, or sponsored by the Seller or Xchange Technology Group LLC in any way and, upon the direction of the Seller or Xchange Technology Group LLC in its sole discretion, Buyer and the Buyer's Group Companies shall issue express disclaimers to that effect.

(3) Buyer and the Company as joint and several debtors agree to indemnify and hold harmless, the Seller, Xchange Technology Group LLC and their respective directors, officers, managers, employees, servants, or agents, from any and all liability arising from improper use of the XTR name by the Buyer and/or the Buyer's Group Companies .

(4) Seller or Xchange Technology Group LLC shall not be prohibited or restricted from (i) using the XTR name in any way outside of Germany, Switzerland, Belgium, Luxembourg and the Netherlands or (ii) using the name IT Xchange or such similar name in Germany, Switzerland, Belgium, Luxembourg and/or the Netherlands.

(5) Buyer and the Buyer's Group Companies (a) shall not use the XTR name in any manner contrary to public morals, which ridicules or is derogatory to the XTR name, or which compromises or reflects unfavorably upon the goodwill, good name, reputation or image of the Seller, Xchange Technology Group LLC or the XTR name, (b) not (i) misrepresent to any person the scope of its authority or (ii) incur or authorize any expenses or liabilities chargeable to the Seller or Xchange Technology Group LLC and (c) all times use all precautions and take all necessary commercial steps to preserve the value and validity of the XTR name without the Seller or Xchange Technology Group LLC having to incur any expense in so doing.

(6) Buyer and the Company agree that the relevant Buyer's Group Company's name shall be changed to a name not using the terms "Xchange" or "Xchange Technology" immediately upon Buyer or any of the Buyer's Group Companies undergoing, or filing for any bankruptcy protection, or proceeding(s).

(7) In case of material breach of obligations according to § 6, the Buyer and the Company undertake that upon written notice of the Seller or Xchange Technology Group LLC the relevant Buyer's Group Company's name shall be changed within 30 days change to a name not using the terms "Xchange" or "Xchange Technology".

(8) Buyer and the Company undertake that any transfer of shares in a Buyer's Group Company (completely or partially) to a third person is subject to such third person having adhered to the Buyer's obligations under this § 6.

§ 7 Miscellaneous

(1) According to the records of the Company and without independent verification by the Seller, the Company has no real estate.

(2) The costs arising from the notarization of this Agreement shall borne by the Buyer.

(3) Any amount payable by the Buyer to the Seller has to be paid to the Seller in accordance with the wire instructions set out in **Schedule A** hereto.

(4) Neither attorney Alexander Belz nor the firm Rowedder Zimmermann Hass shall be liable for any reason, especially not for any liability as actor with unauthorized agency, to the extent legally permitted.

(5) Should a clause of this contract be ineffective or inexecutable all other clauses remain effective. In this case the one effective provision is deemed to be agreed on which is the closest to the ineffective or inexecutable provision.

(6) This Agreement constitutes the entire agreement between the parties with respect to its subject matter, and so far supersedes any and all prior negotiations, understandings and agreements between the parties. This Agreement may not be amended or modified in any respect except by a document following the due form and signed by the parties.

(7) A certified copy of this deed is received by: every party to the Agreement and the competent German financial authority.

(8) It is acknowledged by the Buyer that the Seller is entering into this Agreement solely in its capacity as court-appointed receiver of the undertaking, properties and assets of Xchange Technology Group LLC and that the Seller shall have no personal or corporate liability under or as a result of this Agreement. Any claim against the Seller shall be limited to and only enforceable against the property and assets then held by or available to it in its capacity as court-appointed receiver of the undertakings, properties and assets of Xchange Technology Group LLC, on an unsecured basis, and shall not apply to its personal property and other assets held by it in any other capacity.

(9) This Agreement shall endure to the benefit of and shall be binding on and enforceable by the parties and, where the context so permits, their respective heirs, executors, administrators, successors and permitted assigns.

(10) This Agreement shall be governed by and construed in all respects in accordance with the laws of Germany, without regard to principles of conflicts of laws. To the extent legally permissible, the parties hereby submit to the exclusive jurisdiction of the courts of Frankfurt am Main, Germany.

Read out aloud, approved and signed:

Schedule A
Wire Instructions

Royal Bank of Canada
200 Bay Street, Main Floor
Toronto, ON M5J 2J5

Bank Transit (ABA) #: **00002**
Bank Account #: **125-090-1**
Bank Swift code: **ROYCCAT2**
Name of account: **Duff & Phelps Canada Restructuring Inc., Receiver of Xchange Technology Group LLC**

Liste der Gesellschafter

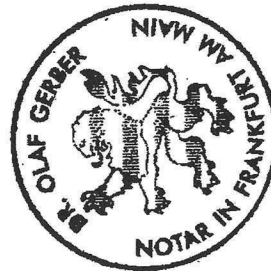
der Mainsee 726. V V GmbH (künftig: Livingston Hamilton Rentals GmbH) mit dem Sitz in Frankfurt am Main, AG Frankfurt am Main HRB 91078

Lfd. Nr. der Geschäftsanteile	Gesellschafter	Nennbetrag eines jeden Geschäftsanteils (in Euro)	Veränderungen
1	Xchange Technology Group LLC mit Sitz in 9241-100 Globe Center Drive, Morrisville, NC 27560, USA	1.000,00	Aufgrund Abtretungsvertrag vom 08. Juni 2011
2	Xchange Technology Group LLC mit Sitz in 9241-100 Globe Center Drive, Morrisville, NC 27560, USA	24.000,00	Aufgrund Abtretungsvertrag vom 08. Juni 2011
Summe:		25.000,00	

UR-Nr. 234/2011-G

Der unterzeichnende Notar bestätigt hiermit, dass die geänderten Eintragungen in der vorstehenden Gesellschafterliste den Veränderungen entsprechen, die sich aufgrund seiner Urkunde Nr. 232/2011-G vom 08. Juni 2011 ergeben, und dass die übrigen Eintragungen mit dem Inhalt der zuletzt im Handelsregister aufgenommenen Liste übereinstimmen.

Frankfurt am Main, 09. Juni 2011



Dr. Olaf Gerber
Notar

Frankfurt am Main, den 09.06.2011

Hiermit beglaube ich die Übereinstimmung, der in dieser Datei enthaltenen Bilddaten (Abschrift)
mit dem mir vorliegenden Papierdokument (Urschrift).

Dr. Olaf Gerber
Notar