
**Fourth 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 5, 2014

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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

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

NOVEMBER 5, 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, 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); and IT Xchange Pty Ltd. (Australia) (collectively, with the XTG Debtors, the "XTG Group"). A corporate organizational chart of the XTG Group 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".

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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 under Chapter 15 of the *US Bankruptcy Code* as a foreign non-main proceeding. On October 30, 2013 and November 25, 2013, the US Court entered orders 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”).
 6. On November 22, 2013 (“Sale Approval Date”), the Court issued an order approving a sale (“Transaction”) by the Receiver of the XTG Debtors’ business and assets to 2393134 Ontario Inc. (the “Purchaser”). At the time of the Sale Approval Date, the shareholder of the Purchaser, Callidus Capital Corporation (“Callidus”)¹, was reviewing with its advisors tax and other issues related to the Purchaser and/or the Transaction which the Receiver understands prevented an immediate closing of the Transaction. As of the date of this Report, the Transaction remains unclosed.
 7. Callidus is also the senior secured lender of the XTG Debtors. Callidus is the sole creditor with an economic interest in the Transaction proceeds. Callidus was owed approximately \$38 million at the Sale Approval Date. Its advances to the XTG Debtors have increased since that time.
 8. The Receiver and its counsel have on numerous occasions since the Sale Approval Date inquired and discussed with Callidus its intentions to close the Transaction and the timing to do so.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) Provide background information about the XTG Debtors;
 - b) Provide an update on the status of the Transaction;
 - c) Summarize a dispute involving Winthrop Resources Corporation (“Winthrop”); and
 - d) Summarize litigation commenced in November, 2010 by 6784984 Canada Limited (“6784984”) against a number of defendants, including certain of the XTG Debtors (the “Vernon Litigation”).

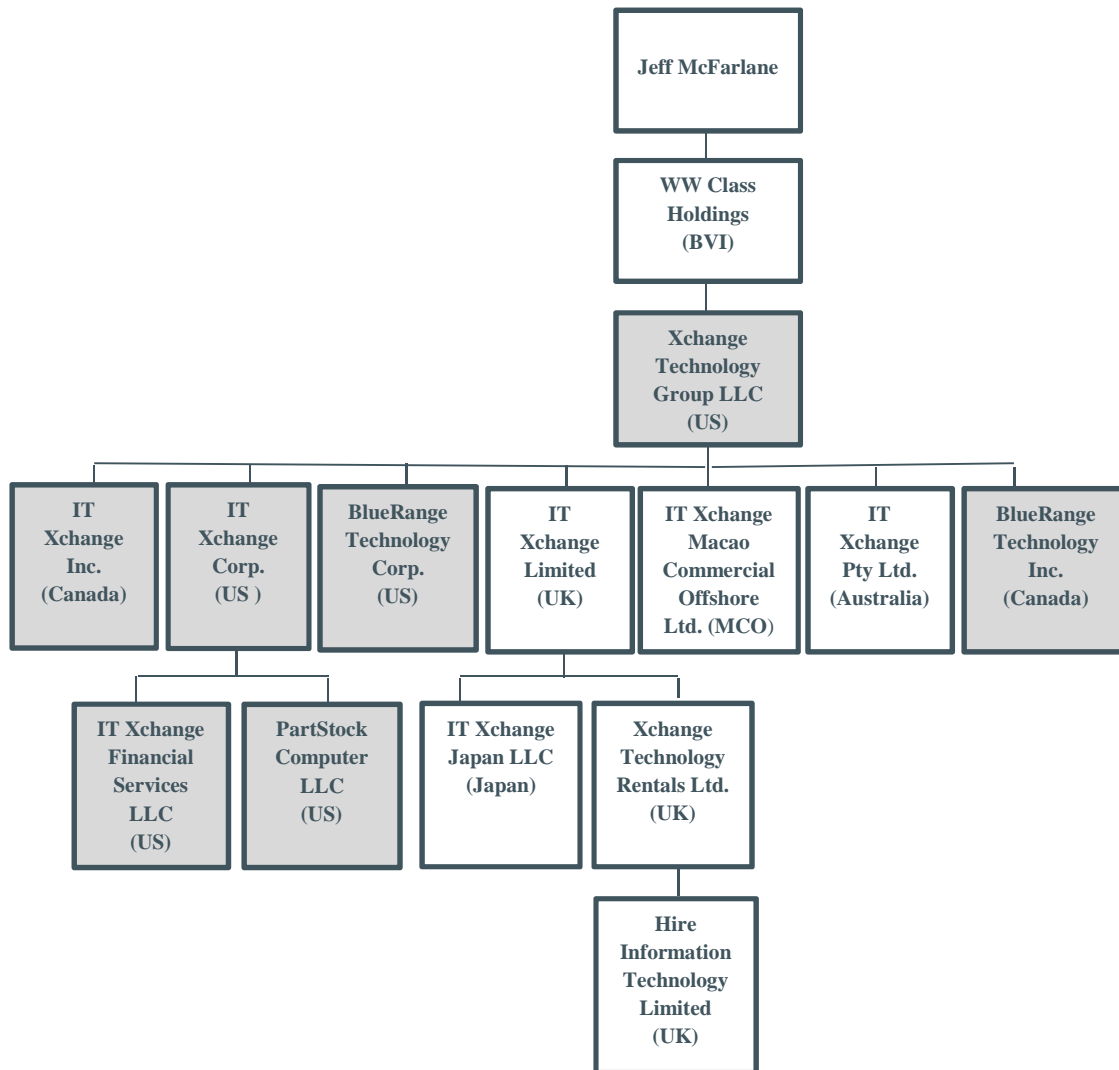
1.2 Currency

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

¹ Or an entity related thereto.

2.0 Background Information

1. XTG Group was founded in 1996 in Ontario by Jeff McFarlane. XTG Group's corporate organizational chart is set out below (the XTG Debtors are shaded).



2. The organizational chart excludes a former German subsidiary, Xchange Technology GmbH (Germany), the shares of which were sold in these proceedings pursuant to a Court Order made on May 1, 2014.
3. XTG Group is a supplier of information technology ("IT") products with operations in Canada, the United States, the United Kingdom, 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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4. XTG Group's Canadian and US head offices are located in Mississauga, Ontario and Morrisville, North Carolina, respectively. These facilities are leased, as are the other seven North American facilities from which the XTG Debtors currently operate. These other facilities are located in Richmond Hill, Ontario, Georgia, Washington, Maine, Illinois, Connecticut and California.
 5. At the commencement of the receivership proceedings, the XTG Group employed globally approximately 260 individuals. There are presently approximately 180 employees, including 48 in Canada and 100 in the US. The headcount reduction resulted primarily from the sale of the German subsidiary in May, 2014.
 6. XTG Group's workforce is not unionized; it does not maintain any employee pension plans.
 7. The XTG Debtors have continued to operate in the normal course under the direction of its management. Callidus has continued to fund the XTG Debtors' operations since the commencement of these proceedings. Employees continue to be employed by the XTG Debtors in accordance with the Receivership Order.
 8. Since the Sale Approval Date, the Receiver has been monitoring the affairs of the XTG Debtors. The Receiver has not been making business or operating decisions concerning the XTG Debtors.

3.0 Sale Process and Transaction

1. The Receivership Order approved the Sale Process, including an offer submitted by the Purchaser as a "stalking horse" for substantially all of the XTG Debtors' business and assets pursuant to an Asset Purchase Agreement dated October 25, 2013 between the Receiver and the Purchaser.
2. The Receiver carried out the Sale Process in accordance with the Receivership Order. No offers were submitted in the Sale Process and the Court accepted the Receiver's conclusion that the Transaction provided the best outcome for stakeholders. Additional background information on 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.
3. On November 22, 2013, the Court approved the Transaction. The US Court issued an Order approving the Transaction on November 25, 2013 (the "US Sale Approval Order").
4. The Receiver has been advised by Callidus and its legal counsel that it remains the intention of Callidus to complete the Transaction and that Callidus expects for the Transaction to close by the end of this year. The Receiver will file a further report with the Court should the Transaction not close by December 31, 2014.

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5. There does not appear to be any prejudice to creditors resulting from the delayed closing of the Transaction. Post-filing obligations being incurred by the XTG Debtors, including for employee payroll costs, inventory suppliers and landlords, are being paid in the normal course². Most of the trade vendors continue to have the XTG Debtors on cash on delivery or similar terms. The Receiver has continued to oversee the XTG Debtors' cash management and inventory procurement primarily with a view to monitoring the status of obligations to post-filing suppliers. The Receiver intends to continue these procedures until the Transaction closes.

4.0 Winthrop

1. Pursuant to a Lease Agreement dated December 12, 2012 and related schedules and riders thereto (the "Lease"), Winthrop provided equipment lease financing to IT Xchange Financial Services LLC ("ITXFS").
2. Following an objection filed with the US Court by Winthrop in November, 2013, Winthrop, the Receiver, the XTG Debtors and Callidus agreed on the treatment of the Lease up to the closing of the Transaction. Paragraph 19 of the US Sale Approval Order details the terms of the agreement. A copy of the US Sale Approval Order is attached as Appendix "C".
3. Pursuant to Paragraph 19 of the US Sale Approval Order, post-filing payments due under the Lease were to be paid by the Receiver or Callidus, on behalf of the XTG Debtors (which remain in possession and control of their business), and any cure amounts were to be addressed on the closing of the Transaction, by which time the Purchaser was to determine whether it would assume the Lease.
4. There is presently a dispute among Winthrop, on the one hand, and the XTG Debtors and the Receiver, on the other, as to whether ITXFS exercised its buyout option at the expiry of the Initial Term or whether the Lease was automatically renewed for a one year term, with corresponding Lease payments continuing to accrue.
5. Based on the Receiver's review of this issue and discussions with ITXFS management, the Receiver notes the following:
 - It is the XTG Debtors' position that the purchase option was exercised for each schedule;
 - Other than legal fees to which Winthrop may be entitled, ITXFS has made all payments due under the Lease through the Initial Term for each Lease schedule;

² As detailed in Section 4 below, Winthrop takes the position that it is owed certain amounts which have accrued since the Sale Approval Date.

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- The net book value of the equipment subject to the Lease is nominal (presently approximately \$45,000) relative to the amount claimed by Winthrop (approximately \$1.1 million as at the date of this Report); and
 - Winthrop continues to send quarterly invoices to ITXFS for approximately \$135,000 per schedule.
6. The following correspondence has been exchanged between Faegre Baker Daniels LLP (“FBD”), legal counsel to Winthrop, and Chaitons LLP (“Chaitons”), the Receiver’s Canadian counsel:
- August 18, 2014: FBD sent a letter to Chaitons, a copy of which is attached as Appendix “D”, setting out Winthrop’s position, including that the Receiver elected to assume the Lease pursuant to Paragraph 19 of the US Sale Approval Order and that there were unpaid post-filing Lease charges owing to Winthrop of approximately \$683,000 as at August 18, 2014.
 - August 22, 2014: Chaitons sent a letter to FBD, a copy of which is attached as Appendix “E”, setting out the Receiver’s position, including that the Receiver did not assume the Lease, it was the Receiver’s understanding that the Lease matured on the expiry of the Initial Term and that all payments due under the Lease, including the agreed-upon buyout price, had been paid. Furthermore, based on accounting information provided by ITXFS, the letter states that Winthrop had been paid \$60,000 more than it is entitled, which should be paid by Winthrop to ITXFS. The Receiver, on behalf of ITXFS, also requested a Bill of Sale for the equipment subject to the Lease so that title to the equipment could be transferred to ITXFS.
 - September 9, 2014: FBD sent a letter to Chaitons, a copy of which is attached as Appendix “F”, rejecting the Receiver’s position, stating that the purchase option under the Lease was never exercised by ITXFS, a notice of termination was never delivered by ITXFS and that Winthrop does not have any surplus funds to which ITXFS is entitled.
7. In addition to the written correspondence noted above, the Receiver’s US legal counsel, Allen & Overy LLP, has had several telephone discussions with FBD regarding these issues.
8. On October 24, 2014, Winthrop filed a motion with the US Court for an order, *inter alia*, seeking to compel payment by the Receiver (on behalf of the XTG Debtors) of all post-filing Lease payments, which are estimated by Winthrop to total approximately \$1.1 million. The hearing is scheduled for November 20, 2014. The Receiver intends to file an objection to Winthrop’s motion prior to the objection deadline of November 10, 2014.

5.0 Vernon Litigation

1. 6784984 formerly operated an IT rental asset business from Markham, Ontario. The business was similar to the business presently operated by ITXFS.
2. On August 26, 2010, one of the individual defendants, William Sioles, resigned from his position as Business Development Manager of 6784984. Shortly thereafter, Mr. Sioles became an employee of ITXFS.
3. In November, 2010, 6784984 commenced the Vernon Litigation against a number of individual and corporate defendants, including ITXFS. The claim was for, *inter alia*, damages in the amount of \$7.5 million for (i) misappropriation, misuse and conversion of confidential information belonging to 6784984, including an accounting and other relief; (ii) inducing breach of contract and wrongful interference with the contractual and beneficial relations between 6784984 and its customers, suppliers and employees; and (iii) as against Mr. Sioles, for breach of contract, breach of fiduciary duty, breach of confidence and breach of the duty of good faith and fidelity.
4. The Receiver's legal counsel has been corresponding with 6784984's legal counsel, Birenbaum, Steinberg, Landau, Savin & Colrairie LLP ("Birenbaum"). In February, 2014, Birenbaum advised that it intended to seek an order to lift the stay to continue the Vernon Litigation against the XTG Debtors. The Receiver's legal counsel has advised Birenbaum on numerous occasions that it would oppose such a motion as it did not see any basis for the Court to grant leave to continue the action against the XTG Debtors, including because the Transaction for the XTG Debtors' business and assets had been approved by the Court and the US Court on notice to 6784984 c/o Birenbaum.
5. Following unsuccessful discussions between Birenbaum and the Receiver's counsel, Birenbaum advised it was instructed to arrange a 9:30 a.m. appointment to set a date for the lift stay motion and to add the Receiver and the Purchaser as parties to the action.
6. On September 15, 2014, the Ontario Superior Court of Justice issued an Order Dismissing the Action for Delay ("Dismissal Order"). A copy of the Dismissal Order is attached as Appendix "G".
7. On October 24, 2014, 6784984 filed a motion returnable December 15, 2014 for an order setting aside the Dismissal Order.
8. Should the Dismissal Order be set aside, the Receiver will continue to take the position that the stay of proceedings should not be lifted to continue the Vernon Litigation against the XTG Debtors. The Receiver also intends to oppose any motion to add it as a defendant in the Vernon Litigation.

* * *

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”

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

REGISTRAR
GREFFIER

**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 21 DAY OF JUNE 2013
FAIT À TORONTO LE 21 JOUR DE JUN 2013

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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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DATED AT TORONTO THIS 27th DAY OF OCTOBER 2001
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Debtors;

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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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DATED AT TORONTO THIS 27th DAY OF OCTOBER 2013
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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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DATED AT TORONTO THIS 29 DAY OF OCT 2013
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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.

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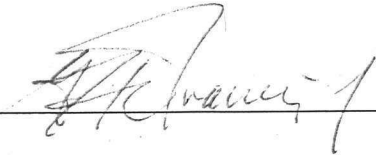
THIS COURT ORDERS that confidential appendices 1, 2, 3 and 5 to the Report be and
~~are hereby sealed pending further Order of this Court.~~

REGISTRAR

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CN / POCHÉ NO
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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

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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

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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

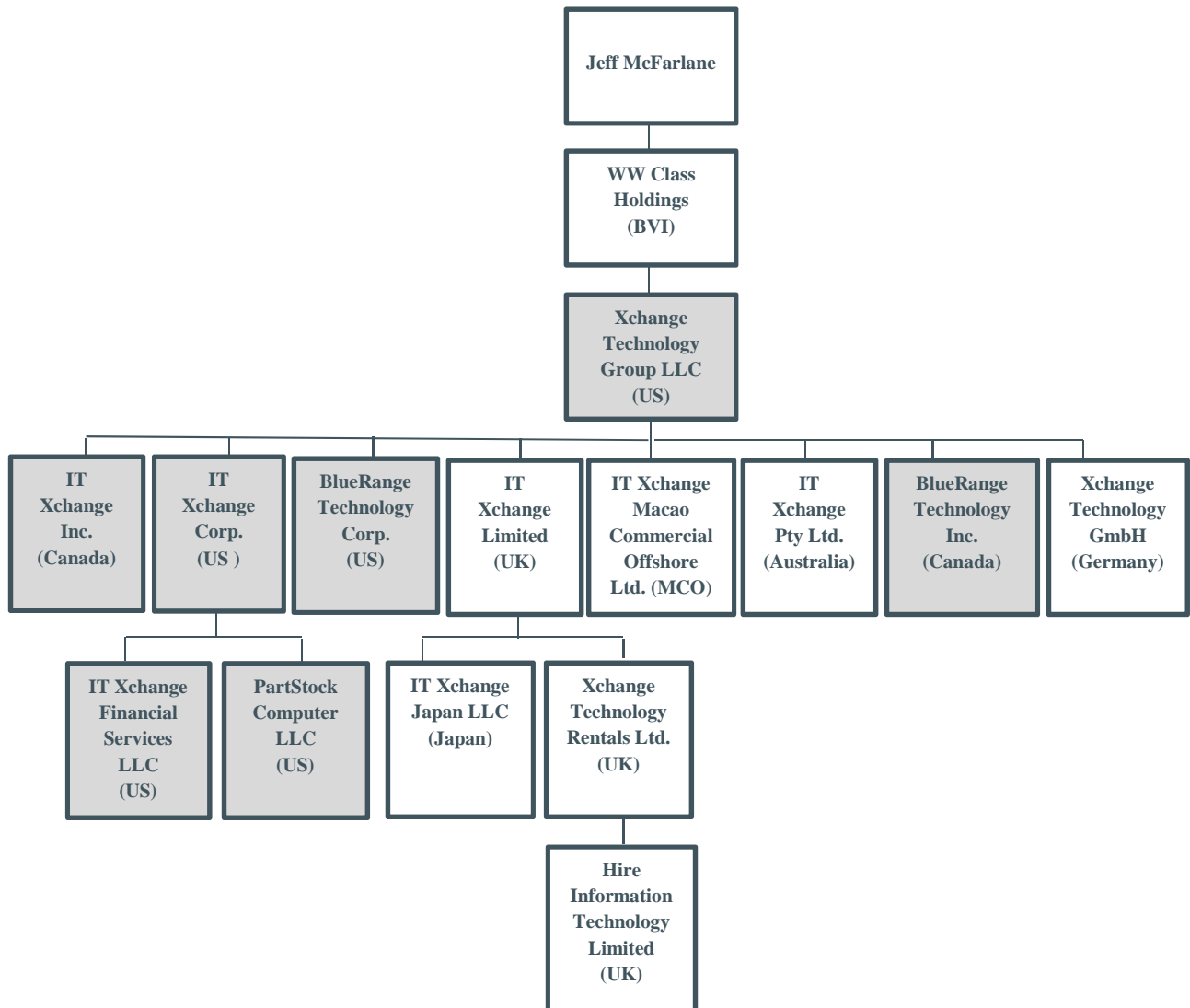
1. The purposes of this report are to:
 - a) Provide background information about the XTG Group;
 - b) Summarize the results of the Sale Process carried out by the Receiver in accordance with the Receivership Order;
 - c) Summarize a transaction (the “Transaction”) between the Receiver and 2393134 Ontario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

-
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”

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

Xchange Technology Group LLC, *et al.*¹,

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 13-12809 (KG)

(Jointly Administered)

Ref. Docket No. 26

**ORDER PURSUANT TO SECTIONS 105(A), 363, 1501,
AND 1521 OF THE BANKRUPTCY CODE, AND BANKRUPTCY RULES 2002, 6004,
AND 9014, FOR ENTRY OF AN ORDER (I) RECOGNIZING AND ENFORCING THE
APPROVAL ORDER AND VESTING ORDER, (II) AUTHORIZING THE SALE OF
SUBSTANTIALLY ALL OF THE DEBTORS' ASSETS FREE AND CLEAR OF ANY
AND ALL LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS,
(III) AUTHORIZING ASSIGNMENT OF CERTAIN EXECUTORY
CONTRACTS AND UNEXPIRED LEASES, AND (IV) GRANTING RELATED RELIEF**

Upon consideration of the Motion (the "Motion")² of Duff & Phelps Canada Restructuring Inc., in its capacity as the court-appointed receiver and authorized foreign representative (the "Receiver") for the above-captioned debtors (collectively, the "Debtors") in the proceeding (the "Canadian Proceeding") commenced under Canada's *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended, and pending before the Ontario Superior Court of Justice, Commercial List (the "Canadian Court"), for the entry of an order, pursuant to sections 105(a), 363(b), (f), (m), and (n), 1501, and 1521 of title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 6004-1 of the Local Rules of

¹ The last four digits of the United States Tax Identification Number, or similar foreign identification number, as applicable, follow in parentheses: Xchange Technology Group LLC (9024); BlueRange Technology Corp. (0843); BlueRange Technology Inc. (84663 1695); IT Xchange Corp. (8738); IT Xchange Financial Services LLC (3557); IT Xchange Inc. (89168 2031); and Partstock Computer LLC (9157).

² Capitalized terms not otherwise defined herein shall have the meanings given to them in the Motion.

Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of Delaware (the “Local Rules”): (a) recognizing and enforcing paragraphs 4-5 of the Receivership Order (as defined below) (such paragraphs in the Receivership Order, the “Approval Order”) and the Vesting Order, pursuant to which the Canadian Court will have authorized the sale and transfer (the “Sale”) by the Receiver of the Debtors’ right, title, and interest in and to substantially all of the Debtors’ assets (collectively, the “Purchased Assets”) to 2393134 Ontario Inc., or such other purchaser that has submitted a Superior Offer (as defined in that certain *Asset Purchase Agreement* (the “Purchase Agreement”), by and between the Receiver and 2393134 Ontario Inc., an entity wholly owned by Callidus Capital Corporation (the “Purchaser”), dated October 25, 2013, a copy of which is attached hereto as Exhibit B), free and clear of all claims, liabilities and encumbrances, except as set forth in the Purchase Agreement; (b) authorizing, pursuant to section 363 of the Bankruptcy Code, the Sale of the Debtors’ right, title, and interest in and to the Purchased Assets to the Purchaser, free and clear of all Interests (as defined in the U.S. Sale Order), except as otherwise provided in the Purchase Agreement; (c) authorizing and approving, to the extent provided for in the Vesting Order, the assignment of the Assumed Contracts (as defined in the Purchase Agreement); and (d) granting certain related relief; and this Court having entered the *Order Granting Recognition of Foreign Nonmain Proceeding and Certain Related Relief* (the “Recognition Order”); and upon the Receiver’s Report and such other reports that have been filed by the Receiver in connection with the Sale Process and Sale [Docket No. 37]; and all parties in interest having been heard, or having had the opportunity to be heard, regarding the recognition and enforcement of the Approval Order and the Vesting Order and the approval of the Purchase Agreement and transactions contemplated thereby; and the Canadian Court having entered the Approval Order and Vesting Order; and this Court having reviewed and

considered the Motion, and the arguments of counsel made, and the evidence adduced, at a hearing before this Court (the "Sale Hearing"); and upon the record of the Sale Hearing and these chapter 15 cases, and after due deliberation thereon, and good cause appearing therefor, and in accordance with Rule 7052 of the Bankruptcy Rules, it is hereby

FOUND AND DETERMINED THAT:

A. The Canadian Court has duly entered the Approval Order and Vesting Order: (i) approving and authorizing the Vendor's execution of the Purchase Agreement and consummation of the sale of the Purchased Assets and the assignment of the Assumed Contracts free and clear of all Interests; and (ii) requesting aid and recognition from this Court to give effect to the Approval Order and Vesting Order.

B. This Court has jurisdiction and authority to hear and determine the Motion pursuant to 28 U.S.C. §§ 1334 and 157(b). Venue of these chapter 15 cases and the Motion in this Court and this District is proper under 28 U.S.C. § 1410.

C. Based on the affidavits of service filed with, and representations made to, this Court: (i) notice of the Motion, the Sale Hearing, and the Sale was proper, timely, adequate, and sufficient under the circumstances of these Chapter 15 Cases and these proceedings and complied with the various applicable requirements of the Bankruptcy Code and the Bankruptcy Rules; and (ii) no other or further notice of the Motion, the Sale Hearing, the Sale, or the entry of the U.S. Sale Order is necessary or shall be required.

D. The Receiver provided a reasonable opportunity to object and be heard with respect to the Sale, the Motion, and the relief requested therein to the necessary parties in interest, including the following: (i) all known creditors of the Debtors or holders of Interests; (ii) all parties to litigation pending in the United States in which the Debtors are a party as of the

Petition Date; (iii) the Office of the United States Trustee for the District of Delaware; (iv) the United States Attorney's Office for the District of Delaware; (v) the Internal Revenue Service; (vi) the United States Department of Justice; (vii) counsel for the Purchaser; (viii) counsel to Callidus; (ix) all persons or entities known to have liens on the Purchased Assets; (x) all counterparties to the Assumed Contracts; (xi) all parties that expressed an interest in the Debtors as a result of the prepetition marketing process employed by Cannaccord and KPMG; and (xii) all other persons to whom notice is required pursuant to this Court's *Order Specifying Form and Manner of Service of Notice* [Docket No. 18].

E. The U.S. Sale Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a).

F. The relief granted herein is necessary and appropriate, is in the interest of the public, promotes international comity, is consistent with the public policy of the United States, is warranted pursuant to sections 105(a), 363(b), (f), (m), and (n), 1501, and 1521 of the Bankruptcy Code, and will not cause any hardship to any parties in interest that is not outweighed by the benefits of the relief granted.

G. The Vesting Order provides for the assignment of the Assumed Contracts, as permitted under the Bankruptcy and Insolvency Act, and such provisions of the Bankruptcy and Insolvency Act are consistent with section 365(f) of the Bankruptcy Code. As such, enforcement in the United States of the assignment of the Assumed Contracts to the Purchaser does not present any public policy conflict or any issue concerning protection of the interests of the parties to the Assumed Contracts that would prevent this Court from entering the U.S. Sale Order.

H. Based on information contained in the Receiver's Report and the Boyer Affidavit, the Debtors, through its financial advisor, conducted a prepetition marketing process to solicit interest in refinancing the Debtors' secured obligations. The Canadian Court found that the prepetition marketing process was sufficient and appropriate under the circumstances to support approval of the Sale pursuant to the terms of the Purchase Agreement and entered the Approval Order.

I. The Receiver has recommended the Sale in accordance with the Purchase Agreement, including the assignment of the Assumed Contracts. The Purchaser is able and has agreed to assume and perform the obligations of the Debtors under the Assumed Contracts in accordance with their terms, including the payment of arrears in accordance with the Purchase Agreement and it is appropriate that the Purchased Assets, including the Assumed Contracts, be transferred, assigned, and vested in the Purchaser.

J. The consideration provided by the Purchaser for the Purchased Assets is the highest or otherwise best offer.

K. The Purchase Price constitutes fair consideration and reasonably equivalent value for the Purchased Assets under the Bankruptcy Code, the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act, and the laws of the United States, any state, territory, possession thereof, or the District of Columbia.

L. No bulk sales law or any similar law of any state or other jurisdiction shall apply in any way to the Sale.

M. Time is of the essence in consummating the Sale. To maximize the value of the Purchased Assets, it is essential that the Sale occur promptly. Accordingly, there is cause to waive the stay that would otherwise be applicable under Bankruptcy Rule 6004.

N. Based upon information contained in the Receiver's Report and the Boyer Affidavit, the negotiations over the terms of the Purchase Agreement were conducted fairly, in good faith, and without collusion, and thus the Purchaser has acted in good faith within the meaning of section 363(m) of the Bankruptcy Code, and neither the Receiver nor the Purchaser engaged in any conduct that would cause or permit the Purchase Agreement or the consummation of the Sale to be avoided, or costs or damages to be imposed, under section 363(n) of the Bankruptcy Code.

O. Neither the Purchaser nor any of its affiliates or their respective representatives is an "insider" of any of the Debtors, as that term is defined in Bankruptcy Code section 101(31).

P. The Purchase Agreement was not entered into for the purpose of hindering, delaying, or defrauding present or future creditors of the Debtors under the Bankruptcy Code or under the laws of the United States, any state, territory, possession thereof, or the District of Columbia.

Q. The Receiver may sell the Purchased Assets free and clear of all Interests, to the extent provided in the Purchase Agreement, the Approval Order, the Vesting Order, and the U.S. Sale Order, because, with respect to each creditor asserting an Interest, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been satisfied. Those holders of Interests who did not object or who withdrew their objections to the Sale or the Motion are deemed to have consented to the Motion and Sale pursuant to Bankruptcy Code section 363(f)(2).

R. The Purchaser would not have entered into the Purchase Agreement and would not consummate the transactions contemplated thereby, thus adversely affecting the

Debtors, their creditors, and other parties in interest if either: (i) the sale of the Purchased Assets to the Purchaser was not free and clear of all Interests, except as otherwise provided in the Purchase Agreement; or (ii) the Purchaser would, or in the future could, be liable for any of such Interests or any claims against the Debtors based upon successor or vicarious liability or otherwise, except as provided in Purchase Agreement.

S. A sale of the Purchased Assets other than one free and clear of all Interests, except as otherwise provided in the Purchase Agreement, would yield substantially less value than the Sale; thus, the Sale free and clear of all Interests, in addition to all of the relief provided herein, is in the best interests of the Debtors, their creditors, and other parties in interest.

T. All findings of fact and conclusions of law announced by this Court at the Sale Hearing are incorporated herein.

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is granted.
2. The Approval Order and Vesting Order, copies of which are annexed to the hereto as Exhibit 1 and Exhibit 2, respectively, are recognized in full and given full force and effect in the United States.
3. The Sale pursuant to the terms of the Purchase Agreement and the transfer and assignment of the Purchased Assets located within the United States is approved and authorized pursuant to sections 363 and 1521 of the Bankruptcy Code.
4. All objections to the entry of the U.S. Sale Order that have not been withdrawn, waived, or settled, or otherwise resolved pursuant to the terms hereof, are denied and overruled on the merits, with prejudice.

5. Pursuant to sections 105, 363, and 1521 of the Bankruptcy Code, and to the extent permitted by the Approval Order and the Vesting Order, each of the Debtors, the Purchaser, and the Receiver are authorized to take any and all actions necessary or appropriate to: (a) consummate the Sale of the Purchased Assets to the Purchaser in accordance with the Purchase Agreement, the Approval Order, the Vesting Order, and the U.S. Sale Order; and (b) perform, consummate, implement, and close fully the Purchase Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to implement the Purchase Agreement and the Sale.

Transfer of the Purchased Assets

6. Pursuant to sections 105(a), 363(f), and 1521 of the Bankruptcy Code, and as provided for in the Approval Order, and the Vesting Order, upon delivery of the Receiver's Certificate to the Purchaser in accordance with the Vesting Order, the Purchased Assets shall absolutely vest, without further instrument of transfer or assignment, in the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate (as such term is defined in the Purchase Agreement) of the Purchaser that agrees to be jointly and severally liable with the Purchaser) all rights, title, and interest of the Debtors to the Purchased Assets and shall be a legal, valid, and effective transfer of the Purchased Assets free and clear any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, pledges, options, warrants, trusts or deemed trusts (whether contractual, statutory, or otherwise), encumbrances, obligations, liabilities, demands, guarantees, restrictions, contractual commitments, rights, including without limitation, rights of first refusal and rights of set-off, liens, executions, levies, penalties, charges, or other financial or monetary claims, adverse claims, or rights of use, puts or forced sales provisions exercisable as a consequence of or arising from the closing of the Sale,

whether arising prior to or subsequent to the commencement of the Canadian Proceeding and these Chapter 15 Cases, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured, legal, equitable, possessory or otherwise, actual or threatened civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, complaint, suit, investigation, dispute, petition or proceeding by or before any governmental authority or person at law or in equity whether imposed by agreement, understanding, law, equity or otherwise, and any claim or demand resulting therefrom including, without limiting the generality of the foregoing: (a) any encumbrances or charges created by the Receivership Order and/or any subsequent charges created by the Canadian Court; (b) all charges, security interests, or claims evidenced by any personal property registry system in the United States; and (c) Excluded Liabilities (as defined in the Purchase Agreement) (all the foregoing in this paragraph 6, collectively, the “Interests”); provided, however, that nothing contained herein shall derogate from the obligations of the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser) to assume the Assumed Obligations, including the Assumed Priority Payables, and to perform its obligations under the Assumed Contracts, as set forth in the Purchase Agreement.

7. Except as expressly provided in the Purchase Agreement, the Approval Order, the Vesting Order, and/or the U.S. Sale Order, pursuant to sections 105(a), 363(f), and 1521 of the Bankruptcy Code, upon the time of closing of the Sale (the “Time of Closing”): (a) the Purchased Assets shall be sold, transferred, or otherwise conveyed to Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be

jointly and severally liable with the Purchaser) free and clear of all Interests, with all such Interests to attach to the proceeds of Sale of the Purchased Assets in the order of their priority, and with the same validity, priority, force, and effect which they now have as against the Purchased Assets, subject to the rights, claims, defenses, and objections, if any, of the Debtors and all parties in interest with respect to such Interests; (b) no holder of an Interest against the Debtors shall interfere with the Purchaser's title to or use and enjoyment of the Purchased Assets based on or related to such Interests; and (c) the Purchase Agreement, the Sale, and any instruments contemplated thereby shall be enforceable against and binding upon, and not subject to rejection or avoidance by, the Debtors or any successor thereof. All persons or entities holding Interests in, to or against the Purchased Assets are forever barred from asserting such Interests against the Purchaser, its affiliates, successors and assigns, and current affiliates, officers, directors, employees, managers, partners, members, financial advisors, attorneys, agents, and representatives (collectively, the "Purchaser Releasees") or such Purchased Assets after the Time of Closing.

8. None of the Purchaser Releasees shall have or incur any liability to, or be subject to any action by any Debtor, or any of the Debtors' predecessors, successors, or assigns, arising out of the negotiation, investigation, preparation, execution, or delivery of the Purchase Agreement, or the entry into and consummation of the Sale, except as expressly provided in the Purchase Agreement, the Approval Order, the Vesting Order, and/or the U.S. Sale Order.

9. Except as otherwise provided in the Purchase Agreement, any and all Purchased Assets and in the possession or control of any person or entity, including, without limitation, any vendor, supplier, or employee of the Debtors shall be transferred to the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided,

however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser) free and clear of all Interests, and, upon reasonable request of the Purchaser, all such persons or entities are directed to surrender possession of the Purchased Assets to the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser) at the Time of Closing.

10. To the extent permissible under the Approval Order and the Vesting Order, the Purchaser, or its affiliates, members, and shareholders, shall not be deemed, as a result of any action taken in connection with the Sale or the Purchaser's post-closing use or operation of the Purchased Assets, to: (a) be a successor to the Debtors; (b) have, *de facto* or otherwise, merged or consolidated with or into the Debtors; or (c) be a continuation or substantial continuation of the Debtors or any enterprise of the Debtors. Except for the Assumed Obligations, the transfer of the Purchased Assets to the Purchaser under the Purchase Agreement, the Approval Order, the Vesting Order, and the U.S. Sale Order shall not result in the Purchaser Releasees having any liability or responsibility whatsoever: (y) for any Interest against the Debtors or against an insider of the Debtors; or (z) to the Debtors, except as is expressly set forth in the Purchase Agreement, the Approval Order, the Vesting Order, the U.S. Sale Order, and/or any other order of the Canadian Court. Without limiting the generality of the foregoing, except as otherwise provided in the Purchase Agreement, the Approval Order, the Vesting Order, or any other order of the Canadian Court, the conveyance of the Debtors' rights, title, and interest in the Purchased Assets to Purchaser under the Purchase Agreement shall not result in any Purchaser Releasee having any liability or responsibility whatsoever for any: (a) Interest, whether at law or

in equity, whether by payment, setoff, or otherwise, directly or indirectly; (b) obligation under any of the Debtors' labor or employment agreements; (c) of the Debtors' mortgages, deeds of trust, and security interests; (d) intercompany loans and receivables between the Debtors and any non-debtor subsidiary; (e) of the Debtors' pension, welfare, compensation or other employee benefit plans, agreements, practices and programs; (f) any of the Debtors' other employee, worker's compensation, occupational disease, unemployment, or temporary disability related claim, including without limitation, claims that might arise under or pursuant to (i) the Employee Retirement Income Security Act of 1974, as amended, (ii) the Fair Labor Standards Act, (iii) Title VII of the Civil Rights Act of 1964, (iv) the Federal Rehabilitation Act of 1973, (v) the National Labor Relations Act, (vi) the Worker Adjustment and Retraining Act of 1988, (vii) the Age Discrimination and Employee Act of 1976 and Age Discrimination in Employment Act, as amended, (viii) the Americans with Disabilities Act of 1990, (ix) the Consolidated Omnibus Budget Reconciliation Act of 1985, (x) state discrimination laws, (xi) state unemployment compensation laws or any other similar state laws, (xii) any other state or federal benefits or claims relating to any employment with the Debtors or any of their predecessors; or (g) successor or vicarious liabilities of any kind or character, including, but not limited to, federal, state or other tax liabilities, U.S. or foreign pension liabilities, or liabilities based on any theory of antitrust, environmental, labor law, alter ego, veil piercing, continuity of enterprise, mere continuation, product line, *de facto* merger or substantial continuity, whether known or unknown, whether legal or equitable, matured or unmatured, contingent or noncontingent, liquidated or unliquidated, asserted or unasserted, whether arising prior to or subsequent to the commencement of these Chapter 15 Cases, whether imposed by agreement, understanding, law, equity or otherwise with respect to any of the Debtors or any obligations of the Debtors,

including, but not limited to, in the case of liabilities on account of any taxes arising, accruing or payable under, out of, in connection with, or in any way relating to the operation of the Debtors' business prior to the Time of Closing or any taxes in connection with, or in any way relating to the cancellation of debt of the Debtors or their affiliates.

11. The entry of the U.S. Sale Order: (a) is and shall be effective as a determination that, upon the Time of Closing, except as expressly provided in the Purchase Agreement, the Approval Order, the Vesting Order, and/or the U.S. Sale Order, all Interests existing as to the Purchased Assets prior to the Time of Closing, have been released, extinguished, expunged, and discharged as against the Purchased Assets; and (b) shall be binding upon and shall govern the acts of all entities, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, recorders of fees, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal, state, and local officials, and all other persons and entities, who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments that reflect that the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser) is the assignee of the Purchased Assets free and clear of all Interests, except as expressly provided in the Purchase Agreement, the Approval Order, the Vesting Order, and/or the U.S. Sale Order.

12. Each and every federal, state, and local governmental agency or department is authorized and directed to accept any and all documents and instruments necessary and appropriate to consummate the transaction contemplated by the Purchase Agreement.

13. Except with respect to enforcing the terms of the Purchase Agreement, the Approval Order, the Vesting Order, or the U.S. Sale Order, absent a stay pending appeal, no person shall take any action to prevent or enjoin or otherwise interfere with consummation of the transaction contemplated in or by the Purchase Agreement.

14. Effective as of the Time of Closing, the Approval Order, the Vesting Order and the U.S. Sale Order shall constitute for any and all purposes a full and complete general assignment, conveyance, and transfer of the Debtors' interests in the Purchased Assets.

Treatment of Executory Contracts and Unexpired Leases

15. As provided in the Purchase Agreement, the Approval Order and the Vesting Order, upon delivery of the Receiver's Certificate, the Assumed Contracts shall be transferred to, and remain in full force and effect for the benefit of, the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser) in accordance with their respective terms. The transfer and assignment of the Assumed Contracts shall be valid notwithstanding any restriction, condition, or prohibition contained in any such Assigned Contract relating to the assignment thereof, (including those of the type described in sections 365(b)(2) and (f) of the Bankruptcy Code) that prohibits, restricts, or conditions such assignment or transfer or requires the consent of any party to such assignment or transfer.

16. As provided in paragraph 3 of the Vesting Order, the assignment of the rights and obligations of the Debtors under the Assumed Contracts to the Purchaser (or such other person(s) as the Purchaser may direct and the Receiver may agree; provided, however, that no agreement will be required if such transfer is to an Affiliate of the Purchaser that agrees to be jointly and severally liable with the Purchaser), pursuant to section 2.01 of the Purchase

Agreement, is valid and binding upon all of the counterparties to the Assumed Contracts, without further documentation, as if the Purchaser was a party to the Assumed Contracts, notwithstanding any restriction or prohibition contained in any such Assigned Contract relating to the assignment thereof, including any provision requiring the consent of any party to an Assigned Contract.

17. Each counterparty to the Assumed Contracts is prohibited from exercising any right or remedy under the Assumed Contracts by reason of any defaults thereunder arising from the commencement or pendency of the Canadian Proceeding or these Chapter 15 Cases or the solvency or financial condition of the Debtors.

18. To the extent there may be any dispute arising from the U.S. Sale Order's treatment of any Assumed Contract, including, but not limited to, disputes related to an attempted post-Sale modification or termination of any Assumed Contract subject to this Court's jurisdiction, regardless of whether such modification or termination is based upon restrictions or prohibitions contained in any Assumed Contract relating to the assignment thereof, this Court shall retain jurisdiction to enforce any and all terms and provisions of the Purchase Agreement, the Approval Order, the Vesting Order, and/or U.S. Sale Order with respect to any such Assigned Contract.

Winthrop Resources Corporation

19. With regard to that certain Lease Agreement Number Number IT121212 dated December 12, 2012, together with schedules and riders thereto (the "Winthrop Lease"), between Winthrop Resources Corporation ("Winthrop") and ITXchange Financial Services LLC DBA Vernon Computer Source, and in resolution of Winthrop's objection to the Motion: (i) the Receiver elects to assume the Winthrop Lease and assign it to the Purchaser or its assign or nominee as of the closing date of the Sale and Winthrop consents to the assumption and the

assignment of the Winthrop Lease; (ii) the Receiver shall promptly pay rent due under the Winthrop Lease for the period since the commencement of the Canadian Proceeding, and the Purchaser shall, in accordance with the Purchase Agreement, promptly pay other amounts necessary to cure payment defaults under the Winthrop Lease (which amounts equaled \$193,262.13 as of November 22, 2013, and will equal \$45,896.95 upon settlement of the \$147,365.18 wire transfer to Winthrop that the Receiver initiated on November 25, 2013), excluding any amounts relating to legal fees incurred by Winthrop (which legal fees shall be resolved at a later date), upon assumption and assignment of the Winthrop Lease as of the closing date of the Sale; (iii) the Receiver or the Purchaser, as applicable, will make future lease payments under the Lease as they come due pending the assumption of the Lease; (iv) the Receiver and/or the Purchaser will promptly disclose to Winthrop the identity of the Purchaser or its assign or nominee that will take assignment of the Winthrop Lease and shall provide Winthrop with an organizational chart showing the corporate structure of the Purchaser once such structure is finalized; (v) the Receiver and/or the Purchaser shall provide Winthrop with documents and information reasonably necessary to allow Winthrop to comply with applicable regulatory requirements relating to the assumption and assignment of the Winthrop Lease; and (vi) in the event the Receiver does not assume the Winthrop Lease, Winthrop shall be entitled to the immediate possession of all equipment leased under the Winthrop Lease and shall have relief from the automatic stay to collect such equipment without further order of this Court.

Additional Provisions

20. The Purchaser, as a purchaser in good faith within the meaning of section 363(m) of the Bankruptcy Code, shall be entitled to all of the protections of section 363(m) of the Bankruptcy Code. The reversal or modification on appeal of the authorization provided

herein to consummate the Sale shall not affect the validity of the Sale unless, prior to the Time of Closing, such authorization is duly stayed pending appeal.

21. The terms and provisions of the Purchase Agreement and the U.S. Sale Order shall be binding on and inure to the benefit of the Debtors, the Purchaser, the Debtors' creditors, and all other parties in interest, and any successors of the Debtors, the Purchaser and the Debtors' creditors, including any trustee(s), examiner(s), or receiver(s) appointed in these cases or under any chapter of the Bankruptcy Code or any other law, and all such terms and provisions shall likewise be binding on such trustee(s), examiner(s), or receiver(s) and shall not be subject to rejection or avoidance by the Debtors, the Debtors, their creditors, or any trustee(s), examiner(s), or receiver(s).

22. Subject to the terms and conditions of the Approval Order, the Vesting Order and the Purchase Agreement, provisions of the Purchase Agreement and any related agreements may be waived, modified, amended, or supplemented by agreement among the Debtors and the Purchaser in a writing signed by the Debtors and the Purchaser without further action or order of this Court.

23. The failure to include any particular provision of the Approval Order, the Vesting Order, the Purchase Agreement, or any related agreements in the U.S. Sale Order shall not diminish or impair the effectiveness of that provision, it being the intent of this Court that the Approval Order, the Vesting Order, the Purchase Agreement, and any related agreements, with such amendments thereto as may be made by the parties in accordance with the Approval Order, the Vesting Order and the Purchase Agreement be approved and authorized in their entirety.

24. Notwithstanding any provision in the Bankruptcy Rules to the contrary:
(a) the terms of the U.S. Sale Order shall be immediately effective and enforceable upon its

entry; (b) the Debtors, the Purchaser, and the Receiver are not subject to any stay in the implementation, enforcement or realization of the relief granted in the U.S. Sale Order; and (c) the Debtors, the Purchaser, and the Receiver may, in their discretion and without further delay, take any action and perform any act authorized under the Approval Order, the Vesting Order and/or the U.S. Sale Order.

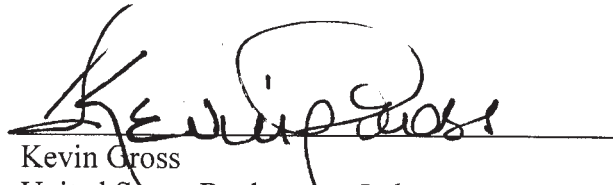
25. To the extent permitted by section 525 of the Bankruptcy Code, no governmental unit may revoke or suspend any permit or license relating to the operation of the Purchased Assets sold, transferred, or conveyed to the Purchaser on account of the filing or pendency of these Chapter 15 Cases or the consummation of the Sale.

26. Nothing in the U.S. Sale Order shall be deemed to waive, release, extinguish or estop the Debtors or the Receiver from asserting, or otherwise impair or diminish, any right (including, without limitation, any right of recoupment), claim, cause of action, defense, offset or counterclaim in respect of any asset that is not a Purchased Asset.

27. The provisions of the U.S. Sale Order are nonseverable and mutually dependent.

28. Other than as explicitly set forth herein, this Court shall retain jurisdiction with respect to any and all matters, claims, rights, or disputes arising from or related to the implementation or interpretation of the U.S. Sale Order.

Dated: November 25 2013
Wilmington, Delaware


Kevin Cross
United States Bankruptcy Judge

Appendix “D”

Michael Doty
Associate
michael.doty@FaegreBD.com
Direct +1 612 766 6998

Faegre Baker Daniels LLP
2200 Wells Fargo Center ▾ 90 South Seventh Street
Minneapolis ▾ Minnesota 55402-3901
Phone +1 612 766 7000
Fax +1 612 766 1600

August 18, 2014

BY FIRST CLASS MAIL AND EMAIL

Harvey Chaiton
Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9
harvey@chaitons.com

**Re: Xchange Technologies Group, LLC, *et al.* (the “Debtors”)
Bankr. D. Del. Case No. 13-12809**

Dear Mr. Chaiton:

As you know, we represent Winthrop Resources Corporation (“Winthrop”) in connection with the above-referenced bankruptcy case (the “Bankruptcy”). Winthrop and ITXchange Financial Services LLC (“ITXchange Financial”) are parties to that certain Lease Agreement Number IT121212 dated December 12, 2012 (together with all schedules and riders thereto, the “Lease”).

On November 2, 2013, Duff & Phelps Canada Restructuring Inc. (the “Receiver”) filed a motion (the “Sale Motion”) in the Bankruptcy which sought, among other things, to authorize the sale of substantially all of the Debtors’ assets, and authorize the assignment of certain executory contracts and unexpired leases, including the Lease. On November 18, 2013, Winthrop filed an objection to the Sale Motion (the “Objection”). The Receiver and Winthrop negotiated a resolution to the Objection, and on November 25, 2013, the bankruptcy court entered an order approving the Sale Motion (the “Approval Order”). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Approval Order.

Under paragraph 19 of the Approval Order, the Receiver elected to assume the Lease and is obligated to, among other things, “make all future lease payments under the Lease as they come due pending assumption of the Winthrop Lease.” Despite agreeing to the inclusion of this language in the Approval Order, the Receiver has failed to pay approximately \$682,835.21 in post-receivership invoices as of the date of this letter (the “Unpaid Post-Receivership Invoices”). Copies of the Unpaid Post-Receivership Invoices are enclosed.

Winthrop has contacted the Receiver on numerous occasions regarding the Unpaid Post-Receivership Invoices, and to date, the Receiver has failed to make any payment arrangements and has failed to even respond to Winthrop's repeated inquiries.

The Approval Order requires prompt payment of the Unpaid Post-Receivership Invoices. If the Receiver does not arrange for payment of the Unpaid Post-Receivership Invoices by August 25, 2014, Winthrop will move the bankruptcy court for an order compelling the Receiver to comply with the Approval Order by paying the Unpaid Post-Receivership Invoices.

Please be advised that Winthrop continues to reserve all of its rights under the Lease and Approval Order, including the right to receive payment for all unpaid pre-receivership invoices, unpaid taxes, legal expenses incurred in connection with the enforcement of its rights under the Lease, and all other amounts necessary to cure ITXchange Financial's outstanding payment defaults under the Lease.

Very truly yours,



Michael Doty

DOTYM

Enclosures

Sam P. Rappos
Chaitons LLP
5000 Yonge Street, 10th Floor
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samr@chaitons.com

Mary Caloway
Buchanan Ingersoll & Rooney PC
919 North Market Street, Suite 1500
Wilmington, DE 19801-1228
mary.caloway@bipc.com

Ken Coleman
Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
ken.coleman@allenoverly.com

WINTHROP

Winthrop Resources Corporation
11100 Wayzata Boulevard, Suite 800, Minnetonka, MN 55305
952/936-0226 Fax: 952/936-0201

VCS c/o Itxchange Financial Services LLC
77 Selleck Street
Stamford, CT 06902
Attn : Anthony Randazzo

Date : 01/09/2014
Invoice # : RT00163398
Account # : IT121212

Rental Period : 02/01/2014 through 04/30/2014

Schedule 001R

Equipment location :

Itxchange Financial Services LLC in Morrisville, NC

Schedule Total :

Invoice Totals :

Invoice Summary :

Total Amount due by 02/01/2014 :

Rent	Tax	Total
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
Total Rent :		\$127,283.00
Sales Tax NC @ 0%		\$0.00
Sales Tax NC @ 6.75%		\$8,589.06
		\$135,872.06

Remit Payment To : Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

*Payments received after the due date are subject to late charges which will accrue until such charges are invoiced.
Payable in US dollars only.*

Please return this portion with payment

Winthrop Resources Corporation
11100 Wayzata Boulevard
Suite 800
Minnetonka, MN 55305
Account # : IT121212
Customer Name : VCS c/o Itxchange Financial Services LLC

Remit Payment To : Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Invoice # : RT00163398
Due Date : 02/01/2014
Invoice Group Name : BIL
Rental Period : 02/01/2014 through 04/30/2014
Schedule #'s : 001R

☐ Check If Address Change On Back

Invoice Total : \$135,872.06

WINTHROP

Winthrop Resources Corporation
11100 Wayzata Boulevard, Suite 800, Minnetonka, MN 55305
952/936-0226 Fax: 952/936-0201

VCS c/o Itxchange Financial Services LLC
77 Selleck Street
Stamford, CT 06902
Attn : Anthony Randazzo

Date : 04/04/2014
Invoice # : RT00169087
Account # : IT121212

Rental Period : 05/01/2014 through 07/31/2014

Schedule 001R

Equipment location :

Itxchange Financial Services LLC in Morrisville, NC

Schedule Total :

Invoice Totals :

Invoice Summary :

Total Amount due by 05/01/2014 :

Rent	Tax	Total
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
Total Rent :		\$127,283.00
Sales Tax NC @ 0%		\$0.00
Sales Tax NC @ 6.75%		\$8,589.06
		\$135,872.06

Remit Payment To : Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Payments received after the due date are subject to late charges which will accrue until such charges are invoiced.
Payable in US dollars only.

Please return this portion with payment

Winthrop Resources Corporation
11100 Wayzata Boulevard
Suite 800
Minnetonka, MN 55305
Account # : IT121212
Customer Name : VCS c/o Itxchange Financial Services LLC

Remit Payment To : Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Invoice # : RT00169087
Due Date : 05/01/2014
Invoice Group Name : BIL
Rental Period : 05/01/2014 through 07/31/2014
Schedule #'s : 001R

☐ Check If Address Change On Back

Invoice Total : \$135,872.06

WINTHROP

Winthrop Resources Corporation
11100 Wayzata Boulevard, Suite 800, Minnetonka, MN 55305
952/936-0226 Fax: 952/936-0201

VCS c/o Itxchange Financial Services LLC
300 Wilson Ave
Norwalk, CT 06854
Attn: Monika Proell

Date: 06/06/2014
Invoice #: RT00173338
Account #: IT121212

Rental Period: 07/01/2014 through 09/30/2014

Schedule 002R

Equipment location:

Itxchange Financial Services LLC in Morrisville, NC

Schedule Total:

Schedule 003R

Equipment location:

Itxchange Financial Services LLC in Morrisville, NC

Schedule Total:

Rent	Tax	Total
\$128,900.00	\$8,701.66	\$137,601.66
\$128,900.00	\$8,701.66	\$137,601.66

Rent	Tax	Total
\$128,916.00	\$8,701.37	\$137,617.37
\$128,916.00	\$8,701.37	\$137,617.37

Invoice Totals:

Invoice Summary:

\$257,816.00 **\$17,403.03** **\$275,219.03**

Total Rent: \$257,816.00

Sales Tax NC @ 0% \$0.00

Sales Tax NC @ 6.75% \$17,403.03

Total Amount due by 07/01/2014:

\$275,219.03

Remit Payment To: Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Payments received after the due date are subject to late charges which will accrue until such charges are invoiced.
Payable in US dollars only.

Please return this portion with payment

Winthrop Resources Corporation
11100 Wayzata Boulevard
Suite 800
Minnetonka, MN 55305
Account #: IT121212
Customer Name: VCS c/o Itxchange Financial Services LLC

Invoice #: RT00173338
Due Date: 07/01/2014
Invoice Group Name: BIL
Rental Period: 07/01/2014 through 09/30/2014
Schedule #'s: 003R, 002R

Remit Payment To: Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

☐ Check If Address Change On Back

Invoice Total: **\$275,219.03**

WINTHROP

Winthrop Resources Corporation
11100 Wayzata Boulevard, Suite 800, Minnetonka, MN 55305
952/936-0226 Fax: 952/936-0201

VCS c/o Itxchange Financial Services LLC
300 Wilson Ave
Norwalk, CT 06854
Attn: Monika Proell

Date: 07/08/2014
Invoice #: RT00176237
Account #: IT121212

Rental Period: 08/01/2014 through 10/31/2014

Schedule 001R

Equipment location:

Itxchange Financial Services LLC in Morrisville, NC

Schedule Total:

Invoice Totals:

Invoice Summary:

Total Amount due by 08/01/2014:

Rent	Tax	Total
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
\$127,283.00	\$8,589.06	\$135,872.06
Total Rent:		\$127,283.00
Sales Tax NC @ 0%		\$0.00
Sales Tax NC @ 6.75%		\$8,589.06
		\$135,872.06

Remit Payment To: Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Payments received after the due date are subject to late charges which will accrue until such charges are invoiced.
Payable in US dollars only.

Please return this portion with payment

Winthrop Resources Corporation
11100 Wayzata Boulevard
Suite 800
Minnetonka, MN 55305
Account #: IT121212
Customer Name: VCS c/o Itxchange Financial Services LLC

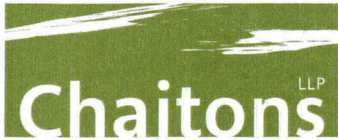
Remit Payment To: Winthrop Resources Corporation
PO Box 650
Hopkins, MN 55343-0650

Invoice #: RT00176237
Due Date: 08/01/2014
Invoice Group Name: BIL
Rental Period: 08/01/2014 through 10/31/2014
Schedule #'s: 001R

☐ Check If Address Change On Back

Invoice Total: \$135,872.06

Appendix “E”



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

August 22, 2014

VIA EMAIL

Michael Doty
Faegre Baker Daniels LLP
2200 Wells Fargo Centre
90 South Seventh Street
Minneapolis, Minnesota 55402-3901
U.S.A.

**Re: Xchange Technologies Group LLC, et al (the "Debtors")
Bankr. D. Del. Case No. 13-12809**

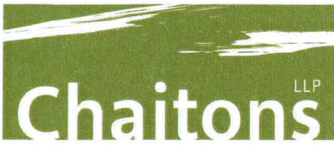
Dear Mr. Doty,

Thank you for your letter of August 18, 2014 which we have now had an opportunity to review and discuss with the Receiver and management of the Debtors. Defined terms in this letter have the meanings ascribed to them in your letter of August 18, 2014.

We disagree with your interpretation of paragraph 19 of the Approval Order. The Receiver did not assume the Lease pursuant to the Approval Order nor has it assumed the Lease to date. The Receiver's obligation to elect to assume the Lease only arises at the time of, and in connection with, the assignment of the Lease to the Purchaser. This is clear from subparagraph 19(vi) of the Approval Order which commences "in the event the Receiver does not assume the Winthrop Lease...". However, we agree that the Approval Order provides that the Receiver is to make future lease payments under the Lease as they come due.

Based on the Debtors' books and records, it is our understanding that the Lease has matured, all lease payments have been paid and the buyout price (referred to by your client in several emails as the "restocking fee") for the equipment can be satisfied from the deposits held by Winthrop. In fact, we are advised there is a surplus held by Winthrop of approximately US\$60,000 which it has failed to pay to the Receiver despite the Receiver's and the Debtors' requests.

We also wish to correct your allegation that the Receiver has "failed to even respond to Winthrop's repeated inquiries". We have been provided with several emails that show that the Receiver has not only responded to Winthrop's inquiries on a timely basis but has made several enquiries of its own to resolve any payment disputes between the Debtors and Winthrop, to which Winthrop did not respond.



On behalf of the Receiver, we request that Winthrop prepare and deliver a Bill of Sale for the equipment to ITX Financial Services and pay over to the Receiver the surplus funds held by Winthrop, which total approximately US\$60,000 according to the Debtors' books and records. A reconciliation of the payments made under the Lease reflecting this surplus has been provided to Winthrop. The Receiver and/or management of the Debtors would be pleased to have a conference call with Winthrop to reconcile any accounting discrepancies between the books and records of the Debtors and Winthrop.

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

cc: B. Kofman/D. Sieradzki, *Duff & Phelps Canada Restructuring Inc.*
K. Coleman, *Allen & Overy LLP*
Bridget Smith/Alan Rupp/Anthony Randazzo, *XTG*

Appendix “F”

Michael Doty
Associate
michael.doty@FaegreBD.com
Direct +1 612 766 6998

Faegre Baker Daniels LLP
2200 Wells Fargo Center 90 South Seventh Street
Minneapolis Minnesota 55402-3901
Phone +1 612 766 7000
Fax +1 612 766 1600

September 9, 2014

BY EMAIL

Harvey Chaiton
Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9
harvey@chaitons.com

Re: **Xchange Technologies Group, LLC, et al. (the "Debtors")**
Bankr. D. Del. Case No. 13-12809

Dear Mr. Chaiton:

Thank you for your August 22, 2014, response. The capitalized terms used in this letter shall have the meanings ascribed to them in our August 18, 2014, letter.

Based on Winthrop's records, the Lease remains in effect, as ITXchange Financial failed to provide notice of termination or timely exercise the purchase option under the Lease. Moreover, even if ITXchange Financial had attempted to exercise its purchase option in a timely manner, it was not entitled to do so due to its ongoing defaults under the Lease.

First, the Initial Term (as defined in the Lease) for Lease Schedule 001R expired on January 31, 2014. The Initial Term for Lease Schedule 002R expired on June 30, 2014. Under paragraph one of the Lease, after the Initial Term, the term of any schedule "shall continue from year to year thereafter until terminated." In order to terminate a lease schedule, a party must provide written notice of termination at least 120 days prior to the end of the Initial Term (or any subsequent term).

Because Winthrop did not receive written notice of termination with respect to Lease Schedule 001R or Lease Schedule 002R before October 3, 2013 and March 2, 2014 (respectively), the Initial Term for each schedule has been extended for an additional year. If it is your contention that ITXchange Financial provided Winthrop with a timely written notice of termination as to either schedule, please provide us with a copy.

Second, in order to exercise its purchase option under the Lease, ITXchange Financial must have provided Winthrop with written notice of its intent to do so at least 120 days before the expiration of the Initial Term. If you believe that ITXchange Financial provided Winthrop with written notice of its intent to exercise the purchase option with respect to Lease Schedule 001R or Lease Schedule 002R before October 3, 2013 and March 2, 2014 (respectively), please provide us with copies of the notices.

Third, even if ITXchange Financial had timely attempted to exercise its purchase option, it was not entitled to do so. In addition to the requirement that it notify Winthrop at least 120 days prior to the end of the Initial Term, the purchase option under the Lease is subject to the conditions that no event of default has occurred under the Lease, and that Winthrop has received all lease charges owing under the Lease. ITXchange Financial has failed to satisfy either condition due to its continuing failure to pay pre-receivership invoices owing under the Lease in the amount of \$45,906.99 (the "Unpaid Pre- Receivership Invoices"). This failure constitutes both an ongoing event of default under Section 16(1) of the Lease, and a failure to pay Winthrop all lease charges owing under the Lease. As result, ITXchange Financial did not have the right to exercise the purchase option, even if it had attempted to do so at least 120 days prior to the expiration of the Initial Term.

Fourth, even if ITXchange Financial was entitled to exercise the purchase option and actually attempted to do so in a timely manner, it would have had to sign and deliver all documents necessary to complete the sale of the Equipment no later than the last day of the Initial Term of the Lease. Because it did not do so, the purchase option is void per the terms of the Lease.

In addition, as of the date of this letter ITXchange Financial has failed to pay \$47,056.16 in legal expenses that Winthrop has incurred in enforcing its rights under the Lease (the "Unpaid Legal Expenses"). Pursuant to Section 18 of the Lease, ITXchange Financial is responsible for payment of the Unpaid Legal Expenses as well. Please note that even if ITXchange Financial had the ability to exercise its purchase option, attempted to do so in a timely manner, and actually delivered all of the documents necessary to purchase the Equipment, ITXchange Financial would still not be entitled to receive the Equipment because it has not paid all amounts due under the Lease (including the Pre-Receivership Invoices and Unpaid Legal Expenses).

Because ITXchange Financial did not attempt, and was not entitled to, exercise the purchase option under the Lease, Winthrop declines your request to prepare and deliver a bill of sale covering the Equipment. In addition, because ITXchange Financial failed to provide notice of termination of the Lease, the Lease remains in effect on a year-to-year basis. Accordingly, Winthrop reiterates its demand that ITXchange Financial comply with the plain language of both the Lease and the Approval Order by paying the Post-Receivership Invoices. In addition, please be advised that Winthrop is not retaining any

Harvey Chaiton

-3-

September 9, 2014

“surplus funds” nor is ITXchange Financial entitled to receive any portion of the deposit that Winthrop is currently holding.

Very truly yours,

A handwritten signature in black ink, appearing to read "Michael Doty", with a stylized flourish at the end.

Michael Doty

DOTYM

Cc:

Sam P. Rappos
Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9
samr@chaitons.com

Mary Caloway
Buchanan Ingersoll & Rooney PC
919 North Market Street, Suite 1500
Wilmington, DE 19801-1228
mary.caloway@bipc.com

Ken Coleman
Allen & Overy LLP
1221 Avenue of the Americas
New York, NY 10020
ken.coleman@allenoverly.com

Appendix “G”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COUR SUPÉRIEURE DE JUSTICE**

BETWEEN:
ENTRE:

6784984 CANADA LIMITED

Plaintiff
Demandeur

and / et

WILLIAM SIOLES; I.T. XCHANGE INC. ; VERNON COMPUTER LEASING, INC. carrying on business as
VERNON COMPUTER SOURCE ; THE WWW CLASS HOLDINGS LTD ; XCHANGE TECHNOLOGY GROUP
LLC ; L.T XCHANGE CORP. ; I.T.XCHANGE FINANCIAL SERVICES LLC ; ANTHONY RANDAZZO; JEFF
MCFARLANE

Defendant
Défendeur

**ORDER DISMISSING ACTION FOR DELAY - FORM 48D
ORDONNANCE REJETANT L'ACTION POUR CAUSE DE RETARD - FORMULE 48D**

The plaintiff has not brought this action to conclusion or set it down for trial within the time prescribed by Rule 48.14 or such other time as was prescribed by order and has not cured the default.

Le demandeur n'a pas mis fin à cette action ni ne l'a mise en état pour inscription au rôle dans le délai prescrit par la règle 48.14 ou par une ordonnance, et il n'a pas remédié au défaut.

IT IS ORDERED THAT this action be dismissed for delay, with costs.

IL EST ORDONNÉ QUE la présente action soit rejetée pour cause de retard, avec dépens.

Date: 15-SEP-2014

Date:

Signed by: Alice Stephenson

signature: Local registrar / greffier local

Address of court office: Toronto

adresse du greffe: 393 University Av 10th fl
Toronto ON M5G 1E6

NOTE: An order under Rule 48.14 dismissing an action may be set aside under Rule 37.14.

REMARQUE : La règle 37.14 permet l'annulation d'une ordonnance rejetant une action rendue en vertu de la règle 48.14.

SEP 19 2014

TO: CRAIG ROBIN COLRAINE
DESTINATAIRES : BIRENBAUM, STEINBERG, LANDAU, SAVIN
1000-33 BLOOR ST E
TORONTO ON CA M4W 3H1

Fax: (416)961-2531