Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.
(the "**APPLICANT**")

MOTION RECORD
(Returnable December 18, 2014)

December 15, 2014

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Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.
(the "**APPLICANT**")

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED

SERVICE LIST
(as of December 15, 2014)

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ONTARIO SECURITIES COMMISSION **Mostafa Asadi** Legal Counsel, Investment Funds Branch Ontario Securities Commission 20 Queen Street West, 19th Floor Toronto, Ontario M5H 3S8 Email: masadi@osc.gov.on.ca Tel: (416) 593-8171	**Counsel for Ontario Securities Commission**

Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.
(the "**APPLICANT**")

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TAB 1

Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

NOTICE OF MOTION
(Motion for Approval of Settlement)
(Returnable December 18, 2014)

GrowthWorks Canadian Fund Ltd. (the "**Applicant**" or the "**Fund**") will make a motion before a judge of the Ontario Superior Court of Justice (Commercial List) on December 18, 2014 at 10:00 a.m. or as soon after that time as the motion can be heard at 330 University Avenue, in the City of Toronto.

THE MOTION IS FOR an order:

(a) Approving a settlement of actions relating to a sale of shares of Med-Eng Systems Inc. ("**Med-Eng**") to Allen-Vanguard Corporation ("**AVC**"), bearing Court File Numbers 08-CV-43188 and 08-CV-43544 (the "**AVC Litigation**") in the form of a draft order attached as Schedule "A" hereto; and

(b) Such other relief as this Honourable Court may allow.

THE GROUNDS FOR THE MOTION ARE:

Background to the Litigation Proceedings

1. In October 2007, AVC purchased all of the issued and outstanding shares of Med-Eng pursuant to a share purchase agreement dated August 3, 2007 (the "**Share Purchase Agreement**"). The SPA set out representations and warranties of Med-Eng and its former shareholders, as well as indemnifications relating to those representations and warranties.

2. Together, the three largest shareholders of Med-Eng (the "**Offeree Shareholders**") held 78.7% of the shares of Med-Eng. There are approximately 200 other shareholders of Med-Eng holding the remainder of the shares in Med-Eng (the "**Minority Shareholders**").

3. The total purchase price was approximately $650 million. On closing, all but $40 million of the sales proceeds were distributed to the shareholders of Med-Eng. The Fund held approximately 12.5% of the shares of Med-Eng and received approximately $72 million in sales proceeds. The $40 million that was not distributed was transferred to Computershare Trust Company of Canada (the "**Escrow Agent**") to be held in escrow as indemnification for proven claims made by AVC against Med-Eng, pursuant to an agreement dated September 17, 2007 between AVC, Med-Eng, the Offeree Shareholders and the Escrow Agent (the "**Escrow Agreement**"). The Escrow Funds were otherwise payable to the Offeree Shareholders as proceeds of the sale of their shares in Med-Eng.

4. On November 12, 2008, the Offeree Shareholders commenced an action before the Ontario Superior Court of Justice in Ottawa against AVC, Allen-Vanguard Technologies Inc., and Computershare Trust Company of Canada claiming entitlement to payment under the Escrow Agreement, and seeking the release of the Escrow Funds to the Offeree Shareholders.

5. On December 18, 2008, AVC issued a separate Statement of Claim against the Offeree Shareholders. The claim was amended in 2013 to seek indemnification and/or damages for misrepresentations and breach of contract in the amount of $650 million. Of the total claim, AVC sought $40 million from the Escrow Fund, and the remaining $610 million from the Offeree Shareholders jointly and severally.

6. On October 1, 2013, the Fund obtained an order granting it protection under the *Companies' Creditors Arrangement Act* (as amended, the "**Initial Order**"). As part of the relief granted, all proceedings against the Fund were stayed, including the AVC Litigation.

7. On October 28, 2013, AVC brought a motion within the CCAA proceedings seeking to lift the stay of proceedings to allow the AVC Litigation to continue before the Ottawa court. The Fund opposed the lifting of the stay and brought a cross-motion seeking a "mini-trial" of the AVC Litigation within the CCAA proceedings. AVC's motion was allowed and the Court ordered a partial lifting of the stay to allow the proceedings to continue.

Settlement of the AVC Litigation

8. The parties to the litigation have been involved in ongoing negotiations to settle the litigation. The sheer size of the $650 million claim has raised a spectre over the CCAA proceedings and has adversely affected the Fund's attempts to restructure. Accordingly, the Fund has been pursuing a settlement of the action to avoid the cost of protracted litigation while in a critical financial state.

9. The parties have come to an agreement to settle the AVC Litigation. Under the terms of the agreement, recorded in the Minutes of Settlement appended as Exhibit D to the Affidavit of Donna Parr sworn December 15, 2014, $28 million of the Escrow Funds comprising of principal and accumulated interest to November 10, 2014, shall be distributed to AVC by the Escrow Agent. The remaining Escrow Funds shall be held by the Escrow Agent, to be distributed to the Offeree Shareholders upon further order of the Court.

10. The settlement is fair and reasonable under the circumstances. The AVC Litigation has been ongoing for over 6 years. The litigation has involved thousands of documentary productions and over 20 case conferences. The parties have conducted over 25 days of examinations for discovery and numerous motions. The parties have also incurred the cost of a third party arbitrator to adjudicate pre-trial issues.

11. The Offeree Shareholders have incurred $4.3 million in fees and disbursements to date in relation to the AVC Litigation. The estimated additional cost of bringing the actions to trial is approximately $3 million and pre-trial preparations will undoubtedly

involve additional documentary productions, further discovery, and the preparation of expert reports. The trial is scheduled for 11 weeks, beginning on March 30, 2015.

12. Given the economic cost of the continued litigation, litigation risk and the critical financial state of the Fund, the settlement is in the best interests of the Fund and its stakeholders, including the Offeree Shareholders. The Fund therefore requests that the settlement be approved in the form of the order attached hereto.

13. The Fund relies upon the following:

(a) Section 11.02, 36 and other provisions of the CCAA and the inherent and equitable jurisdiction of this Court;

(b) Rules 1.04, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

(c) Such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. Affidavit of Paul Echenberg sworn December 15, 2014 in support of this motion and exhibits thereto;

2. Affidavit of Donna Parr sworn December 15, 2014 in support of this motion and exhibits thereto; and

3. Such further and other materials as counsel may advise and this Court may permit.

December 15, 2014

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Lawyers for the Applicant

TO: ATTACHED SERVICE LIST

SCHEDULE A

Court File No.: CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	)	THURSDAY , THE 18TH
	)	
MR. JUSTICE PATTILLO	)	DAY OF DECEMBER, 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

ORDER APPROVING SETTLEMENT

THIS MOTION, made by GrowthWorks Canadian Fund Ltd. (the "**Fund**") for an order approving an agreement settling actions bearing Court File Numbers 08-CV-43544 and 08–CV-43188, between Allen-Vanguard Corporation ("**AVC**") and the Fund and other parties (the "**AVC Litigation**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of the Fund, including the Affidavit of Donna Parr sworn December 15, 2014, the Affidavit of Paul Echenberg sworn December 15, 2014 and the Twelfth report of FTI Consulting Canada, Inc. (the "**Monitor**"), on being advised that notices in the form of a letter have been sent to each former shareholder of Med-Eng Systems Inc.("**Med-Eng**") at the most recent known address(es) for notifying each such former shareholder of this settlement and the hearing, and on hearing the submissions of counsel for the Fund, AVC, and the Monitor, no one else appearing although properly served as appears from the Affidavit of ●, sworn ●:

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

2. THIS COURT ORDERS AND DECLARES that the Minutes of Settlement settling the AVC Litigation made between AVC and certain former shareholders of Med-Eng including Richard L'Abbe, 1062455 Ontario Inc., the Fund, SVMCL Management Canada Limited as general partner of certain investment funds, Schroder Ventures Holdings Limited as general partner of certain other investment funds and SVG Capital plc. (collectively, the "**Offeree Shareholders**") effective December 12, 2014 (the "**Settlement Agreement**"), be and is hereby approved in substantially the same form as Exhibit "D" of the Affidavit of Donna Parr sworn December 15, 2014.

3. THIS COURT ORDERS that the Fund is authorized to execute and deliver the Settlement Agreement and shall perform its obligations thereunder, including without limiting the generality of the foregoing, the distribution of $28,000,000 of the settlement proceeds (the "**Settlement Proceeds**") to AVC, and that the remainder of the Settlement Proceeds after the distribution to AVC (the "**Remaining Proceeds**") shall be held in escrow until further order of this Court.

4. THIS COURT ORDERS that notwithstanding:

a. the pendency of these proceedings;

b. any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Fund and any bankruptcy order issued pursuant to any such applications; and

c. any assignment in bankruptcy made in respect of the Fund;

the distribution of Settlement Proceeds to AVC and the distribution of the Remaining Proceeds pursuant to this Order and any further order of this Court shall be binding on any trustee in bankruptcy that may be appointed in respect of the Fund and shall not be void or voidable by creditors of the Fund, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation,

nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

5. THIS COURT ORDERS AND DECLARES that, in addition to the releases to be exchanged pursuant to the Settlement Agreement, AVC is hereby released from any and all claims arising or in respect of the Share Purchase Agreement dated as of August 3, 2007 (the "**SPA**") and the Escrow Agreement dated as of September 17, 2007 (the "**Escrow Agreement**") including, without limiting the generality of the foregoing, any claims of former minority shareholders, and that any claims by former minority shareholders of Med-Eng (the "**Minority Shareholders**") arising from the Share Purchase Agreement or the Escrow Agreement shall attach exclusively to the Remaining Funds.

6. THIS COURT ORDERS that the Offeree Shareholders shall incur no liability whatsoever arising from the release of the Settlement Proceeds and performance of their obligations under the Settlement Agreement.

7. THIS COURT ORDERS that the Offeree Shareholders may propose a distribution of the Remaining Funds and notify all former shareholders, including the Minority Shareholders, of such proposal by mail and/or email to the most recent address(es) maintained by Robert Chapman, the vendor's counsel in respect of the Share Purchase Agreement. Any motion for the distribution of the Remaining Funds shall be on at least 7 days' notice to the Offeree Shareholders, the Minority Shareholders and to the Monitor.

_____

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

Proceeding Commenced at Toronto

ORDER APPROVING SETTLEMENT

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF GROWTHWORKS CANADIAN FUND LTD.

Court File No: CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

NOTICE OF MOTION
(RETURNABLE DECEMBER 18, 2014)

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TAB 2

Court File No. CV-13-10279-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT WITH RESPECT TO GROWTHWORKS CANADIAN FUND LTD.

(the "**APPLICANT**")

AFFIDAVIT OF Paul Echenberg
(sworn December 15, 2014)

I, Paul Echenberg, of the City of Montreal, MAKE OATH AND SAY:

I. Introduction

1. I am the President and Chief Executive Officer of SACI Associates Canada Inc. ("SACI"), a corporation acting as advisor to SVMCL Management Canada Limited and as a consultant to Schroder Ventures Holdings Limited. These entities are the general partners of limited partnerships and attorney for co-investors which were former shareholders of Med-Eng Systems Inc. ("Med-Eng").

2. I have been one of the individuals instructing counsel in a variety of litigation involving Allen-Vanguard Corporation ("Allen-Vanguard"), the Applicant, and certain other former shareholders of Med-Eng, which litigation has been continuing since 2008.

3. The statements I make in this affidavit are based largely on my personal knowledge. Where I make statements that are not within my personal knowledge, I have identified the source of the information and believed the information is true.

II. The Transaction

4. The defendants (collectively referred to as the "Offeree Shareholders") are the former majority shareholders of Med-Eng and are signatories to a Share Purchase Agreement, dated as of August 3, 2007, pursuant to which the Offeree Shareholders and other shareholders of Med-Eng (the "Minority Shareholders") sold their shares in Med-Eng to Allen-Vanguard Corporation ("Allen-Vanguard") for approximately $650 million. Attached as Exhibit "A" to this affidavit is a copy of the Share Purchase Agreement, made as of August 3, 2007 (the "Share Purchase Agreement").

5. The Share Purchase Agreement contains a number of representations and warranties, some of which were made by Med-Eng, and others which were made by the Offeree Shareholders. There are also indemnification provisions in the Share Purchase Agreement, which specifically relate to those representations and warranties.

6. Allen Vanguard, Med-Eng, the Offeree Shareholders, as well as Computershare Trust Company of Canada ("Computershare") as escrow agent, are all parties and signatories to the

Escrow Agreement, made as of September 17, 2007 (the "Escrow Agreement"). The Escrow Agreement provides that $40 million from the proceeds of the sale (the "Indemnification Escrow Amount") would be held in escrow as indemnification for proven claims made by Allen-Vanguard against Med-Eng. The funds in question were otherwise payable to all of the former shareholders of Med-Eng as part of the purchase price paid by Allen-Vanguard. Attached as Exhibit "B" is copy of the Escrow Agreement.

III. The Litigation

7. On November 12, 2008, the Offeree Shareholders issued a statement of claim in the Ontario Superior Court of Justice at Ottawa, as plaintiffs, against the defendants, Allen-Vanguard Corporation, Allen-Vanguard Technologies Inc. ("AVTI") and the escrow agent, Computershare. The action was commenced under Superior Court File Number 08-CV-43188 (the "Offeree Shareholder Action").

8. In the Offeree Shareholder Action, the Offeree Shareholders sought a declaration that they are entitled as of December 21, 2008 to payment of the Indemnification Escrow Amount, as the term is defined in the Escrow Agreement. They also sought an order that Computershare distribute to the Offeree Shareholders and the other former shareholders of Med-Eng, the Indemnification Escrow Amount in accordance with the Escrow Agreement.

9. Following the closing of the share purchase transaction in September 2007, Med-Eng amalgamated with Allen-Vanguard Holdings Ltd. and the name of the amalgamated corporation

was subsequently changed to AVTI. In this affidavit, references to Med-Eng and to AVTI are references to the same entity.

10. The lawyers for the Offeree Shareholders inform me that Computershare is named as a defendant for the sole purpose of ensuring that it is bound by any judgment that may be issued by the court in respect of the Indemnification Escrow Amount.

11. On December 18, 2008, Allen-Vanguard and AVTI served a statement of defence in the Offeree Shareholder Action.

12. Allen-Vanguard did not assert a counterclaim in the Offeree Shareholder Action. Instead, Allen-Vanguard issued a separate statement of claim, which was subsequently amended in 2013. The statement of claim was issued on December 18, 2008 under Superior Court File Number 08-CV-43544 (the "Allen-Vanguard Action").

13. In its amended statement of claim, Allen-Vanguard sought "indemnification and/or damages for fraudulent and/or negligent misrepresentation and breach of contract in the amount of $650 million, of which $40 million would be distributed to Allen-Vanguard in accordance with the terms of the Escrow Agreement." In essence, Allen-Vanguard sought a refund of the purchase price it paid to acquire Med-Eng, and sought to be paid from the Indemnification Escrow Amount as it was funded with a portion of the purchase price.

14. While Allen-Vanguard's amended statement of claim makes allegations of fraudulent and negligent misrepresentation, I am informed by counsel to the Offeree Shareholders that no allegations of fraud or misrepresentations were made against any of the Offeree Shareholders.

15. The lawyers for the Offeree Shareholders inform me that no order has been made to consolidate the Offeree Shareholder Action with the Allen-Vanguard Action (collectively referred to as the "Actions"), although a case management order has been made requiring that the two actions be tried together. The trial has been set for 11 weeks beginning on March 30, 2015.

16. To date, no distributions from the Indemnification Escrow Amount have been made to the former shareholders of Med-Eng. No such distributions can be made until the Actions have been resolved, as Allen-Vanguard's amended statement of claim seeks an order that would distribute the whole of the Indemnification Escrow Amount to Allen-Vanguard.

IV. The Proposed Settlement

17. The parties to the litigation have engaged in settlement negotiations, and agreed upon settlement terms. The settlement was only achieved after extended, arm's length negotiations between experienced business people.

18. As a term of the settlement, $28,000,000 CND, which amount shall be comprised of capital and accumulated interest thereon to November 10, 2014, shall be released by Computershare to Allen-Vanguard by December 29, 2014. The balance of the Indemnification Escrow Amount, together with all accumulated interest on that balance, will remain invested with the Escrow Agent and shall be distributed to the Offeree Shareholders and the other former shareholders of Med-Eng by further order of the CCAA Court.

V. Costs Associated with the Litigation

19. The litigation between the Offeree Shareholders and Allen-Vanguard has been ongoing for over 6 years. I am informed by counsel for the Offeree Shareholders that this litigation has included the production of over 15,000 documents, at least 20 case conferences, more than 25 days of examinations for discovery as well as numerous motions, and the retention of a third party arbitrator to adjudicate pre-trial issues.

20. In addition to the delays and expense resulting from the interlocutory proceedings over the last 6 years, the litigation was further complicated by two other significant events. First, approximately 5 years into the litigation, Allen-Vanguard sought and obtained an amendment to its statement of claim, increasing the claim for damages from $40 million to $650 million, thus exposing the Offeree Shareholders to a direct claim of $610 million. Secondly, in October of last year, the Applicant commenced these CCAA proceedings, which has added further costs for the Offeree Shareholders and further delays in getting the Actions to trial.

21. To date, the Offeree Shareholders have incurred collectively in excess of $4.3 million in fees and disbursements, including the payment of professional fees for experts retained by the Offeree Shareholders and amounts paid to the third-party arbitrator retained by the parties to resolve the outstanding interlocutory proceedings.

22. The trial in the Actions has been set down for 11 weeks beginning on March 30, 2015. In addition to the costs associated with a lengthy trial, there are numerous pre-trial steps that must occur. For instance, it is anticipated that Allen-Vanguard will produce further documents

prior to trial, and that at least another two days of examinations for discovery of Allen-Vanguard's corporate representative, David Luxton, will need to be conducted. In addition, the Offeree Shareholders will have to instruct the experts retained to complete an expert's report, ensure that mandatory mediation occurs and prepare for a pre-trial conference.

23. An outline of the anticipated steps and costs associated with each of those steps was previously prepared by counsel for the Offeree Shareholders for the CCAA court in March of 2014. Exhibit "C" to this affidavit is a copy of the outline of the litigation costs as prepared in March of 2014. While some of the steps set out in that outline are now partially complete, I am informed by counsel that a more recent consideration of the anticipated costs of proceeding to trial in the Actions has generated estimates in excess of $3 million, including fees and disbursements.

24. Another factor for the Schroder defendants is that the investment fund was established in 1994, with an intended life of 10 years. It was not finally put into liquidation until 2007, which was already 3 years beyond the duration the investors had expected. When the trial is scheduled to start in March 2015, the fund will have been in existence for nearly 21 years, much longer than anyone could have reasonably anticipated. Given the amount in issue in the Actions, whatever the outcome, appeals from the trial judgment are a distinct possibility, if not a probability. This would further delay the closing of the fund for many more years.

25. In addition, with each passing year, the fund continues to incur fees and expenses associated with keeping the fund open, which we estimate to be approximately $550,000 a year.

26. For various reasons particular to each of the investors, the investors want to close the fund as soon as practically possible.

VI. The Proposed Settlement is Fair and Reasonable

a) The Proposed Settlement ensures that all shareholders receive a portion of the Indemnification Escrow Amount

27. The Proposed Settlement eliminates the risk that the former shareholders of Med-Eng will be left empty-handed and will not recover any portion of the Indemnification Escrow Amount.

28. Allen-Vanguard is alleging that it is entitled to indemnification and/or damages for fraudulent and/or negligent misrepresentation and breach of contract in the amount of $650 million, of which $40 million shall be distributed to Allen-Vanguard in accordance with the terms of the Escrow Agreement.

29. Allen-Vanguard has served an expert's report which states that Allen-Vanguard has suffered economic losses as high as $480 million.

30. If Allen-Vanguard is entirely successful at trial, the entire Indemnification Escrow Amount of $40 million will be distributed to Allen-Vanguard. Under this outcome, the Offeree Shareholders as well as the Minority Shareholders would not receive any portion of the Indemnification Escrow Amount.

31. The Proposed Settlement protects all of the former shareholders of Med-Eng, and ensures that the former shareholders receive a portion of the Indemnification Escrow Amount.

32. Even if Allen-Vanguard is not entirely successful, any amount that may ultimately be payable from the Indemnification Escrow Amount to the former shareholders of Med-Eng must be considered in light of the expenses that will be incurred to achieve that result. Depending on the result achieved, the expenses incurred (as set out more fully above) may exceed the funds payable to the former shareholders from the Indemnification Escrow Amount. Once again, such an outcome would result in the former shareholders of Med-Eng receiving no portion of the Indemnification Escrow Amount.

b) The Proposed Settlement ensures a final result for all of the parties, and the Minority Shareholders

33. As I have already stated, regardless of the result of a trial of the Actions there remains a strong possibility, if not a probability, of further legal proceedings as the decision of the trial judge, or portions thereof, may be subject to an appeal by one of the parties. I am informed that an appeal could significantly delay by several years the final determination in respect of the issues raised in the Actions.

34. The Proposed Settlement not only ensures that the former shareholders of Med-Eng receive a portion of the $40 million held in escrow, it also ensures that the result is final and that the funds are disbursed in the near future.

VII. The Minority Shareholders

35. I am informed by counsel to the Offeree Shareholders that the Minority Shareholders have received periodic reports in respect of the Actions. A distribution list with the addresses of the former shareholders has been maintained. As of September 2013, the distribution list has up to date contact information for all but 20 of the 206 former shareholders of Med-Eng. Accordingly, it is possible to provide notice of any future hearing before the CCAA court that would affect the interests of the former shareholders of Med-Eng.

36. I swear this affidavit in support of GrowthWorks' motion for an order approving the settlement with Allen-Vanguard and related relief.

SWORN before me at BOCA RATON,)
in FLORIDA, this 15th day)
of December 2014.)
)

A Commissioner for taking oath

Paul Echenberg

LAWRENCE DONALD KOHN
MY COMMISSION # EE190256
EXPIRES May 13, 2016
(407) 398-0153 FloridaNotaryService.com

This is Exhibit **"A"** referred to in the

affidavit of **Paul Echenberg**

sworn before me, this 15th day

of December 2014.

A Commissioner for Taking Affidavits

LAWRENCE DONALD KOHN
MY COMMISSION # EE190256
EXPIRES May 13, 2016
FloridaNotaryService.com
(407) 398-0153

SHARE PURCHASE AGREEMENT

BETWEEN

ALLEN-VANGUARD CORPORATION

AND

OFFEREE SHAREHOLDERS

AND

MED-ENG SYSTEMS INC.

MADE AS OF

AUGUST 3, 2007

McCarthy Tétrault LLP

Ottawa, Ontario

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SHARE PURCHASE AGREEMENT

THIS AGREEMENT is made as of August 3, 2007

BETWEEN

Allen-Vanguard Corporation, a corporation incorporated under the laws of the Province of Ontario (the **"Purchaser"**),

- and -

Offeree Shareholders (as defined below),

- and -

Med-Eng Systems Inc., a corporation incorporated under the laws of the Province of Ontario (the **"Corporation"**),

WHEREAS the Offeree Shareholders and the Minority Shareholders (as defined below) are the registered owners of all of the Shares (as defined below);

AND WHEREAS the Purchaser delivered to the Offeree Shareholders an offer dated August 2, 2007 to purchase all of the Shares on the terms and conditions set forth herein (the "Offer");

AND WHEREAS the Offeree Shareholders, who hold in excess of 70% of the aggregate of the Shares on a fully diluted basis (as defined in the Shareholders Agreement defined below), have accepted the Offer;

AND WHEREAS the Offeree Shareholders will deliver to all other Shareholders (the "Minority Shareholders"), together with a copy of the Offer, a notice (the "Drag Along Notice") indicating the intention of the Offeree Shareholders to accept the Offer and requiring the Minority Shareholders to sell the Shares held by them to the Purchaser in accordance with the Shareholders Agreement;

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the parties agree as follows:

ARTICLE 1- INTERPRETATION

1.01 **Definitions**

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

"**Affiliate**" means, with respect to any person, any other person that controls or is controlled by or is under common control with the referent person.

"Agreement" means this agreement, including its recitals and schedules, as amended from time to time.

"Applicable Law" means

(i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and

(ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

"Audited Financial Statements" has the meaning set out in Section 3.01(2)(b).

"Balance Sheet" means the consolidated balance sheet of the Corporation.

"Balance Sheet Date" means June 30, 2007.

"Benefit Plans" has the meaning set out in Section 3.01(8)(a).

"Business Day" means a day other than a Saturday, Sunday or statutory holiday in Ottawa, Ontario.

"Claims" means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), claims and demands of whatever nature or kind including all reasonable legal fees and disbursements.

"Closing Date" means August 31, 2007 or as soon as practicable thereafter following satisfaction of the conditions to closing set forth in Sections 5.01(d) and 5.02(e) or such other date, in each case as may be agreed to in writing by the Offeree Shareholders, the Corporation and the Purchaser.

"Commitment Letters" has the meaning set out in Section 3.03(g).

"Compensation Policies" has the meaning set out in Section 3.01(8)(b).

"Competition Act" means the *Competition Act* (Canada).

"Corporation" means Med-Eng Systems Inc.

"CRA" means the Canada Revenue Agency.

"**Defence Counsel**" has the meaning set out in Section 7.04.

"**Defence Notice**" has the meaning set out in Section 7.04.

"Environmental Law" means any Applicable Law relating to the environment including those pertaining to

(i) reporting, licensing, permitting, investigating, remediating and cleaning up in connection with any presence or Release, or the threat of the same, of Hazardous Substances, and

(ii) the manufacture, processing, distribution, use, treatment, storage, disposal, transport, handling and the like of Hazardous Substances, including those pertaining to occupational health and safety.

"Escrow Agent" means Computershare Trust Company of Canada.

"Escrow Agreement" means the escrow agreement among the Purchaser, the Offeree Shareholders and the Escrow Agent in a form acceptable to each of them, and providing for the escrow arrangements contemplated by this Agreement pertaining to the Working Capital Escrow Amount and the Indemnification Escrow Amount.

"Estimated Working Capital" has the meaning set out in Section 2.03(2).

"Governmental Authority" means any domestic or foreign legislative, executive, judicial or administrative body or law enforcement agency or person having or purporting to have jurisdiction in the relevant circumstances.

"HSR Act" has the meaning set out in Section 5.01(d).

"Hazardous Substance" means any substance or material that is prohibited, controlled or regulated by any Governmental Authority pursuant to Environmental Laws.

"Indemnification Escrow Amount" means $40 million, which amount will be deposited with the Escrow Agent as contemplated by Section 2.04, and will be held in accordance with the terms of the Escrow Agreement.

"Indemnitee" has the meaning set out in Section 7.04.

"Indemnitor" has the meaning set out in 7.04.

"Intellectual Property" means intellectual property of the Corporation and its Subsidiaries of any nature and kind including all domestic and foreign trade-marks, business names, trade names, domain names, trading styles, patents, trade secrets, Software, industrial designs and copyrights, whether registered or unregistered, and all applications for registration thereof, and inventions, formulae, recipes, product formulations, processes and processing methods, technology and techniques, and know-how.

"Inventories" means all inventories of the Corporation and its Subsidiaries, determined in accordance with generally accepted accounting principles, including all finished goods, work in progress, raw materials, supplies and spare parts.

"Investment Canada Act" means the *Investment Canada Act* (Canada).

"knowledge" means with respect to the Corporation, the actual knowledge of any of Danny Osadca, President and Chief Executive Officer, Blair Geddes, Chief Financial Officer and Secretary, and Paul Timmis, Vice President, Electronic Systems.

"Licensed Intellectual Property" means all Intellectual Property other than shrink-wrap software that is used by the Corporation but owned by another person and which is necessary to the operation of the business of the Corporation and its Subsidiaries as presently conducted.

"Material Adverse Effect" means, when used in connection with the Corporation and its Subsidiaries or their business, any change, event, violation, inaccuracy, circumstance or effect that is or could reasonably be expected to be materially adverse to the business, assets, liabilities, financial condition, results of operations of the Corporation and its Subsidiaries other than as a result of (i) changes to the Canadian, United States or global economy, in each case as a whole; (ii) changes to the financial markets; (iii) changes adversely affecting the industry in which the Corporation and its Subsidiaries operate (so long as the Corporation and its Subsidiaries are not disproportionately affected thereby); (iv) the announcement or pendency of the transactions contemplated by this Agreement; (v) changes in laws; or (vi) changes in generally accepted accounting principles.

"Minority Shareholders" has the meaning set forth in the recitals hereto, being the Shareholders whose names and respective holdings are set forth in Schedule 3.02(e) other than the Offeree Shareholders.

"Non-Resident Shareholders" means the Shareholders whose names are identified as such in Schedule 3.02(e).

"Normalized Working Capital" has the meaning set out in Section 2.03(1).

"Offer" has the meaning set forth in the recitals hereto.

"Offeree Shareholders" means Richard L'Abbé, 1062455 Ontario Inc., GrowthWorks Canadian Fund Ltd., Schroder Canada and Schroder UK.

"Options" means options for the purchase of Class A Common Shares of the Corporation granted pursuant to the Stock Option Plan, being at the date of this Agreement options for an aggregate of 2,045,625 Class A Common Shares held by the individuals whose names and respective holdings are set forth in Schedule 3.01(1)(g)(i).

"Owned Intellectual Property" means all material Intellectual Property that is owned by the Corporation and which is necessary to the operation of the business of the Corporation and its Subidiaries as presently conducted.

"Partnership" means Med-Eng Technologies, a partnership formed under the laws of the Province of Alberta, of which the partners are 1252110 Alberta Ltd. and 1252144 Alberta Ltd.

"Permits" means all permits, consents, waivers, licences, certificates, approvals, authorizations, registrations, franchises, rights, privileges, quotas and exemptions, or any item with a similar effect, issued or granted by any person.

"**Personal Information**" means the type of information regulated by Privacy Laws and collected, used, disclosed or retained by the Corporation and its Subsidiaries including information regarding the customers, suppliers, employees and agents of the Corporation and its Subsidiaries, such as an individual's name, address, age, gender, identification number, income, family status, citizenship,

employment, assets, liabilities, source of funds, payment records, credit information, personal references and health records.

"**Privacy Laws**" means all Applicable Laws governing the collection, use, disclosure and retention of Personal Information, including the *Personal Information Protection and Electronic Documents Act* (Canada).

"**Privacy Policies**" means all privacy, data protection and similar policies adopted or used by the Corporation and its Subsidiaries in respect of Personal Information, including any complaints process.

"Purchase Price" has the meaning set out in Section 2.02.

"**Purchaser Indemnitees**" has the meaning set out in Section 7.02(1).

"Release" means any release or discharge of any Hazardous Substance including any discharge, spray, injection, inoculation, abandonment, deposit, spillage, leakage, seepage, pouring, emission, emptying, throwing, dumping, placing, exhausting, escape, leach, migration, dispersal, dispensing or disposal.

"Schroder Canada" means Schroder Venture Managers (Canada) Limited in its capacity as general partner of each of Schroder Canadian Buy-Out Fund II Limited Partnership CLP1, Schroder Canadian Buy-Out Fund II Limited Partnership CLP2, Schroder Canadian Buy-Out Fund II Limited Partnership CLP3, Schroder Canadian Buy-Out Fund II Limited Partnership CLP4, Schroder Canadian Buy-Out Fund II Limited Partnership CLP5, Schroder Canadian Buy-Out Fund II Limited Partnership CLP6.

"Schroder UK" means Schroder Ventures Holdings Limited in its capacity as general partner of Schroder Canadian Buy-Out Fund II UKLP, and on behalf of Schroder Canadian Buy-Out Fund II Coinvestment Scheme and SVG Capital plc (formerly, Schroder Ventures International Investment Trust plc).

"Shareholder Indemnitees" has the meaning set out in Section 7.03(1).

"Shareholders" means the registered holders of the Shares of the Corporation whose names and respective holdings are set forth in Parts I and II of Schedule 3.01(1)(d).

"Shareholders Agreement" means the Shareholders Agreement made as of April 19, 2000, as supplemented, between the Corporation, Schroder Canada, Schroder UK, Richard L'Abbé, 1062445 Ontario Inc., Vincent Crupi, Danielle Crupi, Richard L'Abbé as Voting Trustee, and Growthworks Canadian Fund Ltd. as transferee from Capital Alliance Ventures Inc.

"Shares" means all of the Class A Common Shares and the Class B Common Shares of the Corporation issued and outstanding on the Closing Date, including the Class A Common Shares issued subsequent to the date of this Agreement and prior to the Closing Date upon the exercise of Options.

"Software" means all software of the Corporation and its Subsidiaries, including all versions thereof, and all related documentation, manuals, source code and object code, program files, data files, computer related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, and all other material related to such software.

"Stock Option Plan" means the Employee and Director Stock Option Plan of the Corporation as amended and restated as of April 12, 2000.

"**Subsidiary**" means, with respect to any person, an entity which is controlled by such person; when used without reference to a particular person, "Subsidiary" means a Subsidiary of the Corporation.

"**Take Back Notes**" means subordinated secured promissory notes of the Purchaser having the following terms and conditions:

(i) Interest: 10% simple interest per annum, payable monthly in arrears;

(ii) Maturity: 120 days from the Closing Date;

(iii) Extension Right: If requested by the holders in writing, the Purchaser shall have the right to extend the maturity date of the notes to March 31, 2008 on payment to the holders of an extension fee of 3% of the principal amount of the notes then held by the holders. During this extension period, simple interest shall be payable at the rate of 14% per annum, payable monthly in arrears;

(iv) Public Offering: The Purchaser will use its best efforts to raise net proceeds, after payment of all expenses of the offering, of not less than the aggregate principal amount of all issued notes by way of a public offering of equity or convertible debt securities. So long as the notes are outstanding, the Purchaser shall continue to use its best efforts to complete such offering and shall use the proceeds of the completed public offering to repay any amounts outstanding under the notes, subject to the terms of the Senior Lenders' financing in the original principal amount of $370 million to be provided by the lenders (the "Senior Lenders") as contemplated in a Commitment Letter (the "Senior Commitment Letter"), a copy of which has been delivered by the Purchaser to the Corporation and the Offeree Shareholders (the "Senior Lenders' Financing") (all debt under the Senior Lenders' Financing is the "Senior Debt"). If the Purchaser cannot use the proceeds of such public offering to retire the notes because of the terms of the Senior Lenders' Financing, the Purchaser will use its best efforts to replace the Senior Lenders' Financing with conventional bank lending arrangements;

(v) Rank: The notes shall rank behind the Senior Debt provided by the Senior Lenders to the Purchaser for the acquisition of the Corporation but shall

rank prior to all other indebtedness for borrowed money of the Purchaser and its subsidiaries;

(vi) Security: The notes shall be entitled to security to the same extent and granted by the same parties as the security held by the Senior Lenders, and such security will be subordinated to the Senior Lenders' security as contemplated in the Senior Commitment Letter;

(vii) Representations, Warranties and Covenants: The notes will be issued pursuant to a note purchase agreement to be signed on or prior to the Closing Date and contain the same representations, warranties and covenants (subject to customary cushions versus the corresponding Senior Debt covenants), other than with respect to repayment, events of default, conditions precedent, financial covenants and due diligence rights as the agreement for the Senior Debt;

(viii) Assignability: The notes will be assignable without the consent of the Purchaser.

"Tax Act" means the *Income Tax Act* (Canada).

"Taxes" means all federal, state, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority including, (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise, severance, stamp, occupation, or premium tax, (ii) all withholdings on amounts paid to or by the relevant person, (iii) all employment insurance premiums, Canada, Quebec, U.S. and any other pension plan contributions or premiums, (iv) any fine, penalty, interest, or addition to tax, (v) any tax imposed, assessed, or collected or payable pursuant to any tax-sharing agreement or any other contract relating to the sharing or payment of any such tax, levy, assessment, tariff, duty, deficiency, or fee, and (vi) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law.

"Tax Returns" means all returns, reports, declarations, statements, bills, schedules, forms or written information of, or in respect of, Taxes that are, or are required to be, filed with or supplied to any Taxation Authority.

"Taxation Authority" means any domestic or foreign government, agency or authority that is entitled to impose Taxes or to administer any applicable Tax legislation.

"Time of Closing" means 10:00 a.m. (Ottawa Time) on the Closing Date or such other time on the Closing Date as may be agreed in writing by the Offeree Shareholders, the Corporation and the Purchaser.

"Third Party Proceedings" has the meaning set out in Section 7.04.

"Unaudited Financial Statements" has the meaning set out in Section 3.01(2)(c).

"Voting Trust Agreement" means the Voting Trust Agreement made as of April 19, 2000, as supplemented, between the Minority Shareholders and Richard L'Abbé, as Trustee.

"Working Capital" means the consolidated current assets, excluding cash, cash equivalents , short-term investments and future Tax receivables of the Corporation and its Subsidiaries as at the close of business on the day before the Closing Date, all calculated in accordance with generally accepted accounting principles consistently applied, less the consolidated current liabilities, excluding all bank and other indebtedness (including capital lease obligations) and future Tax liabilities of the Corporation and its Subsidiaries as at the close of business on the day before the Closing Date, all calculated in accordance with generally accepted accounting principles consistently applied.

"Working Capital Escrow Amount" means $3 million, which amount will be deposited with the Escrow Agent as contemplated by Section 2.04, and will be held in accordance with the terms of the Escrow Agreement.

"Working Capital Statement" has the meaning set out in Section 2.03(3).

1.02 **Headings**

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

1.03 **Extended Meanings**

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing" and the term "third party" means any person other than a Shareholder, the Corporation and the Purchaser.

1.04 **Statutory References**

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

1.05 **Accounting Principles**

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with generally accepted accounting principles, such reference will be deemed to be to the generally accepted accounting principles from time to time approved by the Canadian Institute of Chartered Accountants, or any successor institute, applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.06 **Currency**

Unless otherwise expressly stated, all references to currency herein are to lawful money of Canada.

1.07 **Control**

(1) For the purposes of this Agreement,

(a) a person controls a body corporate if securities of the body corporate to which are attached more than 50 per cent of the votes that may be cast to elect directors of the body corporate are beneficially owned by the person and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate, or the person otherwise, directly or indirectly, possesses the power to direct or cause the direction of the management and policies of such body corporate, whether through the ownership of voting securities or other equity securities, by contract or otherwise;

(b) a person controls an unincorporated entity, other than a limited partnership, if more than 50 per cent of the ownership interests, however designated, into which the entity is divided are beneficially owned by that person and the person is able to direct the business and affairs of the entity, or the person otherwise, directly or indirectly, possesses the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of such ownership interests, by contract or otherwise; or

(c) the general partner of a limited partnership controls the limited partnership.

(2) A person who controls an entity is deemed to control any entity that is controlled, or deemed to be controlled, by the entity.

(3) A person is deemed to control, within the meaning of Section 1.07(1)(a) or (1)(b) an entity if the aggregate of

(a) any securities of the entity that are beneficially owned by that person, and

(b) any securities of the entity that are beneficially owned by any entity controlled by that person

is such that, if that person and all of the entities referred to in paragraph (b) that beneficially own securities of the entity were one person, that person would control the entity.

1.08 **Schedules**

The following are the Schedules to this Agreement:

Schedule 2.04	-	Proportionate Interests of the Shareholders
Schedule 3.01(1)(c)	-	Share Rights, Privileges, Restrictions and Conditions attaching to Shares
Schedule 3.01(1)(d)(i)	-	Shareholders
Schedule 3.01(1)(d)(ii)		Non-Resident Shareholders (Minority Shareholders)
Schedule 3.01(1)(g)(i)	-	Employee and Director Stock Option Plan
Schedule 3.01(2)(b)	-	Audited Financial Statements for year ended December 31, 2006
Schedule 3.01(2)(c)	-	Unaudited Financial Statements for the period ended June 30, 2007
Schedule 3.01(2)(d)	-	Liabilities
Schedule 3.01(2)(e)	-	Transactions out of the Normal Course of Business
Schedule 3.01(2)(g)	-	Non-Arm's Length Indebtedness
Schedule 3.01(3)(a)	-	Non-Owned Property
Schedule 3.01(3)(f)	-	Dividends
Schedule 3.01(3)(g)	-	Exceptions to Product Specifications & Material Claims
Schedule 3.01(4)(a)	-	Contracts in Excess of 12 Months or $100,000
Schedule 3.01(4)(c)	-	Guarantees, Indemnities, Sureties & Similar Obligations
Schedule 3.01(4)(d)	-	Leased Real Property
Schedule 3.01(4)(e)	-	Restrictions on Business
Schedule 3.01(4)(f)	-	Options to Acquire Securities
Schedule 3.01(4)(h)	-	Required Consents
Schedule 3.01(5)(a)	-	Intellectual Property Rights
Schedule 3.01(6)(a)	-	Management or Consulting Fees
Schedule 3.01(6)(b)	-	Employee Contracts
Schedule 3.01(6)(c)	-	List of Employees
Schedule 3.01(6)(d)	-	Consulting Contracts
Schedule 3.01(6)(g)	-	Organized Labour Issues
Schedule 3.01(8)(a)	-	Benefit Plans
Schedule 3.01(8)(b)	-	Compensation Policies
Schedule 3.01(8)(e)	-	Employee Obligations upon Execution of Transaction
Schedule 3.01(8)(f)	-	Obligations under Collective Bargaining Agreements
Schedule 3.01(9)(b)	-	Environmental Permits
Schedule 3.01(10)(a)	-	Taxes

Schedule 3.01(11)(a)	-	Export Law Compliance
Schedule 3.01(11)(b)	-	FCPA and CFPOA Compliance
Schedule 3.01(12)(a)	-	Litigation
Schedule 3.01(12)(c)	-	Regulatory Compliance
Schedule 3.01(12)(d)	-	List of Required Permits
Schedule 3.01(12)(e)	-	List of Insurance Policies
Schedule 3.01(12)(j)	-	Corporate Bank Accounts and Authorized Persons
Schedule 3.01(12)(k)	-	Ten Largest Suppliers and Customers; and
Schedule 3.02(e)	-	Non-Resident Shareholders (Offeree Shareholders)

For purposes of this Agreement, information disclosed in any Schedule will be deemed to be disclosed for purposes of disclosure in any other Schedule.

ARTICLE 2- SALE AND PURCHASE

2.01 Shares to be Sold and Purchased

Upon and subject to the terms and conditions hereof, the Shareholders will sell the Shares to the Purchaser and the Purchaser will purchase the Shares from the Shareholders, as of the Time of Closing on the Closing Date.

2.02 Purchase Price

The purchase price payable by the Purchaser to the Shareholders for the Shares (such amount being hereinafter referred to as the "Purchase Price") will be $581 million, subject to adjustment as provided in Section 2.03.

2.03 Working Capital Adjustment

(1) The Purchase Price has been determined on the basis that the Corporation and its Subsidiaries will have Working Capital of $10 million ("Normalized Working Capital") as at the close of business on the day before the Closing Date. At or immediately prior to the close of business on the day before the Closing Date, cash, cash equivalents and short-term investments valued in accordance with generally accepted accounting principles will be distributed by the Corporation to its Shareholders and all bank and other indebtedness (including capital lease obligations) owing by the Corporation and its Subsidiaries will be repaid by the Corporation and its Subsidiaries, as applicable.

(2) The Corporation will deliver to the Purchaser for its review prior to the Closing Date, a statement certified as being accurate and complete by a senior officer of the Corporation, setting out the Working Capital as at the month end before the Closing Date and setting out an estimate of the Working Capital as at the close of business on the day before the Closing Date (the "Estimated Working Capital"). The Purchase Price will be adjusted on a dollar-for-dollar basis to the extent that such Estimated Working Capital is greater than or less than Normalized Working Capital.

(3) Within 30 Business Days after the Closing Date, the Purchaser (with the Corporation's cooperation and assistance) will prepare and deliver to the Offeree Shareholders an

unaudited statement setting out (by separate line-item) the Working Capital for the Corporation and its Subsidiaries as at the close of business on the day before the Closing Date (the "Working Capital Statement"), to be prepared in a manner consistent with the accounting policies and practices of the Corporation as used in the preparation of the Financial Statements and in accordance with generally accepted accounting principles. The Offeree Shareholders and their auditors or other representatives will be entitled to review the working papers and other documentation used or prepared in connection with the preparation of, or which otherwise form the basis of, the Working Capital Statement.

(4) If the Offeree Shareholders give written notice to the Purchaser that they dispute the Working Capital Statement within 10 Business Days after the Working Capital Statement is given to the Offeree Shareholders and the parties cannot reach agreement on the Working Capital Statement within 15 Business Days after such notice of dispute is given, the dispute will be referred for determination by arbitration to a senior audit partner at the Ottawa, Ontario office of Deloitte & Touche LLP chosen by the managing partner of such office and who is acceptable to the Offeree Shareholders and the Purchaser, each acting reasonably. The determination by such arbitrator will be made within 10 Business Days of such referral and will be final and binding on the parties. The costs of the arbitrator will be borne by the party losing the majority of the amount at issue in the arbitration.

(5) If the Working Capital as determined by the parties or the arbitrator, as the case may be, exceeds the Estimated Working Capital, the Purchaser will pay the amount of the difference to the Shareholders within two Business Days after the determination together with interest on such amount at a rate per annum equal to the floating annual rate of interest established from time to time by the Royal Bank of Canada as the base rate it will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as the prime rate, plus 1% (the "Interest Rate"), computed from the Closing Date to the date of payment and the Purchase Price will be adjusted accordingly. If the Working Capital as so determined is less than the Estimated Working Capital, the Offeree Shareholders will cause the Escrow Agent to pay the amount of the difference to the Purchaser from the Working Capital Escrow Amount in Take Back Notes, and if there are insufficient Take Back Notes, cash from the Working Capital Escrow Amount within two Business Days after the determination and the Shareholders will pay in Take Back Notes or cash to the extent that there are insufficient Take Back Notes held by the Offeree Shareholders (or by the Escrow Agent) any additional amount to the Purchaser if required to pay such difference, and the Purchase Price will be adjusted accordingly. Any balance of the Working Capital Escrow Amount will be paid at such time to the Shareholders (net of any Taxes on interest required by Applicable Law to be withheld) by way of the distribution of the Take Back Notes held by the Escrow Agent.

2.04 **Payment of Purchase Price**

The Purchase Price will be payable by the Purchaser to the Shareholders in accordance with the respective portions set forth in Schedule 2.04, as follows:

(a) at the Time of Closing, the Purchaser will pay $431 million, which amount includes the Withheld Amounts as contemplated in Section 2.05, in cash by the wire transfer of immediately available funds in trust to McCarthy Tétrault LLP to an account specified by McCarthy Tétrault LLP, counsel for the Corporation, to

be distributed to the Offeree Shareholders and the Minority Shareholders, as directed by the Offeree Shareholders;

(b) at the Time of Closing, the Purchaser will deliver to the Offeree Shareholders Take Back Notes in an aggregate principal amount of $150 million, adjusted as provided in Section 2.03(2), less an aggregate principal amount of $43 million of Take Back Notes;

(c) at the Time of Closing, the Purchaser will deposit with the Escrow Agent in respect of the Indemnification Escrow Amount and the Working Capital Escrow Amount an aggregate principal amount of $43 million of Take Back Notes on behalf of the Offeree Shareholders;

(d) prior to October 1, 2007, the Purchaser will use the net proceeds, after payment of all expenses, of any equity offering to repay the Take Back Notes; provided that net proceeds will be applied (i) first to the Take Back Notes held by the Offeree Shareholders, then (ii) second to the Take Back Notes representing the Working Capital Escrow Amount, and then (iii) third to the Take Back Notes representing the Indemnification Escrow Amount;

(e) on October 1, 2007, the Purchaser will cause the lenders of the Bridge (as defined in three Commitment Letters, copies of which have been delivered by the Purchaser to the Corporation and the Offeree Shareholders) (the "Bridge Lenders") to purchase from the Shareholders an aggregate principal amount of the Take Back Notes equal to $150 million less the net proceeds, after payment of all expenses, of any equity offering completed by the Purchaser between the Closing Date and October 1, 2007 and applied to purchase Take Back Notes; provided, that if the net proceeds of such equity offerings have been applied to purchase Take Back Notes in the aggregate principal amount of at least $150 million, then the Purchaser shall not be required to cause the Bridge Lenders to purchase any Take Back Notes; further provided that proceeds from the Bridge Lenders will be applied (i) first to the Take Back Notes held by the Offeree Shareholders, then (ii) second to the Take Back Notes representing the Working Capital Escrow Amount, and then (iii) third to the Take Back Notes representing the Indemnification Escrow Amount;

(f) from and after October 1, 2007, if the Offeree Shareholders continue to hold Take Back Notes the Purchaser will use its best efforts to complete equity offerings and shall use the proceeds of any completed public offering to repay Take Back Notes; and

(g) at the time specified in Section 2.03(5), by the Purchaser or the Shareholders, as applicable, paying any adjustment to the Purchase Price pursuant to Section 2.03(5)).

2.05 **Section 116 Withholding**

Each Non-Resident Shareholder will comply with the requirements of section 116 of the Tax Act in respect of the sale and purchase of the Shares, provided that:

(a) if a certificate issued by the Minister of National Revenue pursuant to subsection 116(2) of the Tax Act in respect of the disposition of the Shares to the Purchaser, specifying a certificate limit in an amount that is not less than that Non-Resident Shareholder's portion of the Purchase Price is not delivered to the Purchaser on or before the Closing Date, the Purchaser will be entitled to withhold an amount equal to 25% of the Non-Resident Shareholder's portion of the Purchase Price payable to the Shareholders (the "Withheld Amount"), and the Purchaser will pay any such Withheld Amount to McCarthy Tétrault LLP in trust in the manner contemplated in Section 2.04(a) on the Closing Date and the amount so paid will be credited to the Purchaser as payment on account of that portion of the Purchase Price.

(b) McCarthy Tétrault LLP will cause the Withheld Amount so withheld with respect to each Non-Resident Shareholder set forth on Schedule 3.01(1)(d)(ii) to be remitted to CRA promptly following the Closing Date, but in any event not later than the 28th day after the end of the month in which the Closing Date occurs, and will invest, on behalf of each beneficial Non-Resident Shareholder set forth in Schedule 3.02(e), the Withheld Amounts with respect to such beneficial Non-Resident Shareholder in one or more investments as directed by Schroder Canada and Schroder UK, from the Closing Date until the earlier of the date on which the Withheld Amount (or relevant portion thereof) is delivered to that Non-Resident Shareholder or remitted to the CRA in accordance with this Section 2.05.

(c) If, prior to the 28th day after the end of the month in which the Closing Date occurs (or such later time before which the CRA confirms in writing that the CRA will not enforce the remittance of funds as required by subsection 116(5) of the Tax Act and that the Purchaser will not be liable for interest and penalties in respect of the late remittance of the funds withheld (the "Comfort Letter")), any Non-Resident Shareholder set forth in Schedule 3.02(e) delivers to the Purchaser (with a copy to McCarthy Tétrault LLP):

(i) a certificate issued by the Minister of National Revenue under subsection 116(2) of the Tax Act in respect of the disposition of the Shares to such beneficial Non-Resident Shareholder set forth in Schedule 3.02(e), McCarthy Tétrault LLP will promptly pay to that beneficial Non-Resident Shareholder the lesser of (i) the Withheld Amount and (ii) the Withheld Amount less the product of X and Y where X is the amount, if any, by which that Non-Resident Shareholder's portion of the Purchase Price exceeds the certificate limit specified in such certificate and Y is 25% or any other percentage specified in subsection 116(5) of the Tax Act, together with any interest earned on the Withheld Amount to the date of such payment, or

(ii) a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the disposition of the Shares to the Purchaser, McCarthy Tétrault LLP will promptly pay the Withheld Amount to that beneficial Non-Resident Shareholder, together with any interest earned thereon.

(d) If McCarthy Tétrault LLP continues to hold all or a portion of the Withheld Amount on the later of the 28th day after the end of the month in which the Closing Date occurs and the time when (if the CRA has provided the Comfort Letter) the Purchaser is obliged to remit funds to the CRA, McCarthy Tétrault LLP will remit to the Receiver General for Canada the amount required to be remitted pursuant to subsection 116(5) of the Tax Act and McCarthy Tétrault LLP will pay to that Non-Resident Shareholder any remaining portion of the Withheld Amount, together with interest earned thereon, prior to such remittance.

(e) Where any amount is remitted to the CRA pursuant to this Section 2.05, McCarthy Tétrault LLP will furnish that Non-Resident Shareholder and the Purchaser with confirmation that such remittance has been made. Any such remittance will be deemed to have been paid by the Purchaser to that Non-Resident Shareholder on account of the Purchase Price.

(f) The foregoing provisions will apply *mutatis mutandis* to the amount of the Purchase Price paid to a Non-Resident Shareholder as adjusted pursuant to Section 2.03 unless a certificate issued by the Minister of National Revenue under subsection 116(4) of the Tax Act in respect of the disposition of the Shares has already been issued to the Non-Resident Shareholder and the Purchaser.

ARTICLE 3- REPRESENTATIONS AND WARRANTIES

3.01 Corporation's Representations and Warranties

The Corporation represents and warrants to the Purchaser that:

(1) *Corporate*

(a) Each of the Corporation and 1252110 Alberta Ltd. and 1252144 Alberta Ltd is a corporation duly incorporated, organized and subsisting under the laws of its jurisdiction with the corporate power to own its assets and to carry on its business and has made all material filings under all applicable corporate, securities and Taxation laws or any other Applicable Laws. The Partnership is a general partnership duly established, organized and subsisting under the laws of its jurisdiction with the power to own its assets and to carry on its business and has made all material filings under all applicable corporate, securities and Taxation laws or any other Applicable Laws.

(b) The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares, of which, at the date hereof, 24,817,768 have been validly issued and are outstanding as fully paid and non-assessable, an unlimited number of Class B

Common Shares, of which, at the date hereof, 22,392,022 have been validly issued and are outstanding as fully paid and non-assessable, and an unlimited number of preferred shares issuable in series, of which none is issued and outstanding. On or prior to the Time of Closing, the Options will be exercised and an additional 2,045,625 Class A Common Shares will be issued and outstanding and the Stock Option Plan will have been terminated. At the Time of Closing, the Shares will be the only issued and outstanding shares in the capital of the Corporation;

(c) The rights, privileges, restrictions and conditions attached to the Class A Common Shares and the Class B Common Shares of the Corporation are as set out in Schedule 3.01(1)(c).

(d) (i) All of the issued and outstanding Class A Common Shares and Class B Common Shares of the Corporation are registered in the names of the Shareholders in the respective numbers set out in Schedule 3.01(1)(d)(i) and such Schedule will be updated as at the Time of Closing to indicate the registered holders of the Shares in the respective numbers held by them, and (ii) to the knowledge of the Corporation, except as set forth in Schedule 3.01(1)(d) (ii) and in any certificate delivered pursuant to Section 5.01(b), each Minority Shareholder is not a non-resident person within the meaning of section 116 of the Tax Act.

(e) The Corporation is the registered and beneficial holder of all of the issued shares of 1252110 Alberta Ltd. and 1252144 Alberta Ltd., and the only partners of the Partnership are 1252110 Alberta Ltd. and 1252144 Alberta Ltd.

(f) This Agreement constitutes a valid and legally binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization and other laws of general application limiting the enforcement of creditors' rights generally and to the fact that specific performance is an equitable remedy available only in the discretion of the court.

(g) There is no contract, option or any other right of another binding upon or which at any time in the future may become binding upon:

(i) the Corporation or its Subsidiaries to allot or issue any of the unissued shares of the Corporation or its Subsidiaries or to create any additional class of shares, except pursuant to the Stock Option Plan as set out in Schedule 3.01(1)(g)(i), and which additional shares will be issued prior to the Time of Closing and the Stock Option Plan terminated; or

(ii) the Corporation or its Subsidiaries to sell, transfer, assign, pledge, mortgage or in any other way dispose of or encumber any of the assets of the Corporation or its Subsidiaries other than sales of products pursuant to purchase orders accepted by the Corporation or its Subsidiaries in the usual and ordinary course of business.

(h) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby will result in the violation of: