discovery required relating to the newly particularized allegations of fraudulent misrepresentation found at paragraphs 21 through 30 of the Amended Statement of Claim. These serious allegations of fraud, additional particulars of which have now been provided, will require further examination for discovery.

37. On April 1, 2013, Allen-Vanguard delivered an additional 181 Schedule "A" documents, including an affidavit sworn by David Luxton in 2009 in association with Allen-Vanguard's CCAA proceedings, which is referred to extensively in Allen-Vanguard's expert's report. This document, and likely many others that have only just been produced, will require extensive further discovery.

38. It should also be emphasised that the earlier examinations for discovery of Mr. Luxton have resulted in over 300 undertakings, many of which have gone unanswered for months and in some cases years following the examinations for discovery. Even if further examinations for discovery of Mr. Luxton were scheduled in May and June of 2013, it is simply not feasible for the undertakings arising from those discoveries to be answered and for any necessary motions to be heard in advance of a September 3, 2013 trial date.

Other Steps to be Completed Prior to Trial

39. In addition to the issues which flow directly from the Amended Statement of Claim, there are numerous other pre-trial matters which must be completed prior to trial and which prevent the trial of this matter from proceeding on September 3, 2013. These pre-trial steps are as follows:

a. **Mandatory Mediation**

Mandatory mediation required under Rule 24.1 of the *Rules of Civil Procedure* has not yet occurred. It was originally scheduled to occur on April 8, 2013. Counsel to Allen-Vanguard indicated on March 11, 2013 that it was of the view that mediation was premature in light of the amendments and the pending appeal of Master MacLeod's reasons granting these amendments. The Offeree Shareholders consented to the adjournment of the mediation on March 25, 2013. The mediation has not yet been re-scheduled.

b. **Undertakings and Related Motions**

There are currently over 100 undertakings outstanding in relation to the examination for discovery of Mr. Luxton. These include 63 outstanding undertakings from the discoveries that occurred in December of 2012, and approximately 56 from the discoveries that occurred in early 2013.

On January 27, 2013, the Offeree Shareholders served a Refusals and Undertakings Chart with 17 refusals and 22 outstanding undertakings relating to the discoveries that occurred in 2010 and 2011. It is anticipated that an updated Refusals and Undertakings Chart will need to be served following receipt of Allen-Vanguard's answers to undertakings on April 15, 2013.[4] There may even be a need for a further updated Refusals and Undertakings Chart following the further discovery of Mr. Luxton.

[4]This Court's Case Conference Endorsement dated February 22, 2013 required Allen-Vanguard to answer the remaining outstanding undertakings by April 15, 2013.

Allen-Vanguard has also served a Refusals and Undertakings Chart. This chart has approximately 25 refusals and 12 undertakings from the examinations for discovery of the Offeree Shareholders' representatives.

The Court had originally set aside February 19-20, 2013 for the hearing of motions relating to the outstanding undertakings and refusals relating to the examinations for discovery of Mr. Luxton and the Offeree Shareholders' representative. This motion was adjourned in order to permit Allen-Vanguard to bring a motion to amend its statement of claim.

Accordingly, one or more motions will need to be scheduled prior to trial in order to address the various refusals and outstanding undertakings. These motions must be scheduled so as to allow sufficient time for this Court to render reasons in respect of the motions, and to permit the parties to answers the undertakings, if so ordered.

It should be noted that many of the outstanding undertakings and refusals will require further productions, and may even give rise to further discovery of the parties. For instance, some of the undertakings refused by Allen-Vanguard during the examination for discovery of Mr. Luxton include requests for invoices relating to the assist audit issue, communications between Allen-Vanguard's counsel and the government of the United States, and all written opinions obtained by Allen-Vanguard regarding the assist audit issue.

c. **Allen-Vanguard's Claims for Privilege**

As noted by this Court in the Case Conference Endorsement dated February 22, 2013, there are ongoing issues relating to documentary production apart from those resulting from the Amended Statement of Claim:

It is clear from the discussion today that there remains considerable potential for documentary disputes. Given the impact this may have on judicial resources and the costs and time that may be involved in numerous motions, I do not rule out the possibility of appointing a neutral third party discovery monitor.

In short, Allen-Vanguard continues to claim privilege over approximately 4,250 documents. Included amongst those documents over which Allen-Vanguard continues to claim privilege are approximately 650 documents which contain communications with Stewart Busbridge of Genuity Capital, hundreds of documents which contain communications with Willy Kruh, Tammy Brown and Preet Aujla of KPMG, the firm retained to perform due diligence relating to the transaction by Allen-Vanguard, and hundreds if not thousands of documents which appear on their face to relate to due diligence and the drafting of the Share Purchase Agreement.

Unless the consolidated affidavit of documents of Allen-Vanguard that is required to be served on April 30, 2013 is substantially different than the current affidavit of documents and the more recent supplementary affidavits of document, the Offeree Shareholders anticipate that they will be left with no choice but to once again challenge many of Allen-Vanguard's claims of privilege and that another motion will be necessary.

This motion must be scheduled so as to allow sufficient time for this Court to render reasons in respect of the motion, as well as allow for the time necessary for the actual production and review of the documents and any necessary examinations for discovery.

d. **Further Discovery of Mr. Luxton and Re-examination of Mr. Luxton**

As indicated above, even prior to the delivery of the Amended Statement of Claim, further discovery of Mr. Luxton was necessary. More discovery will likely become necessary as further documents are produced and Allen-Vanguard answers its outstanding undertakings.

Additionally, Mr. Lederman has advised the Offeree Shareholders that he intends to re-examine Mr. Luxton under Rule 34.11 of the *Rules of Civil Procedure*.

40. Given the pre-trial steps that must be completed, regrettably this matter cannot be tried in September of 2013.

Motion for Summary Judgment

41. As it stands, the trial of this action, its companion action, and the action proceeding under court file number CV-08-41899 (the "Timmis Action"), are set down for trial for 10 weeks. The repercussions of the Amended Statement of Claim are such that considerably more time will be required in order to properly try this case.

42. In addition to the impact on the litigation set out above, the Amended Statement of Claim, which transformed the action from a $40,000,000 claim for funds held in an Escrow Fund to a claim for $650,000,000 directly against shareholders of a corporation, will result in a much lengthier trial.

43. As indicated above, there may be numerous additional parties involved as a result of the contemplated joinder or third-party actions. This will necessarily result in a more lengthy trial as there may be, at a minimum, additional counsel, cross-examinations and legal submissions. Further, proportionality and the reality that the parties are now advancing and responding to a claim for $650,000,000 in damages will necessarily lengthen each stage of the trial. Not only will Allen-Vanguard now be required to prove $650,000,000 worth of damages, it must now prove fraud in order to succeed in its claim for damages in excess of the Escrow Fund. Correspondingly, the Offeree Shareholders will not only be refuting Allen-Vanguard's allegations of fraud but arguing vociferously that Allen-Vanguard is precluded from recovering damages beyond the Escrow Fund, whether or not it is able to prove fraud.

44. The sheer quantum of damages claimed by Allen-Vanguard will lengthen the trial by several weeks if not months.

45. Additionally, the change in the scope of the damages sought are such that considerable evidence will need to be introduced regarding all facets of Allen-Vanguard's business from *at least* September of 2007 through 2009, and perhaps beyond. This would include *all* of the business and financial information of Allen-Vanguard and its subsidiaries, as well as the details

of Allen-Vanguard's insolvency. This evidence will come in the form of fact witnesses, documents and expert witnesses and will lengthen the trial considerably.

46. On March 15, 2013, Allen-Vanguard served a 113 page Economic Loss Report. This report purports to calculate the damages allegedly suffered by Allen-Vanguard based on two hypothetical scenarios. The first hypothetical scenario calculates Allen-Vanguard's damages based on the assumption that it would not have proceeded with the purchase of Med-Eng in 2007. The second scenario outlined in Allen-Vanguard's expert's report assumes that Allen-Vanguard would have attempted to negotiate a reduced purchase price for Med-Eng, with part of the purchase price contingent on the corporation's future profitability. These hypothetical scenarios and the allegation that they reflect hundreds of millions of dollars in damages will now have to be explored at trial with virtually every material fact witness, lengthening the trial considerably.

47. Given that the claims against the Offeree Shareholders for damages in excess of the Escrow Fund will fundamentally alter the length of the trial and the manner in which the trial is conducted, the Offeree Shareholders ask that this Court schedule a motion for summary judgment under Rule 20 of the *Rules of Civil Procedure* in September of 2013.

48. The Offeree Shareholders will move to ask the court to conclude that there is no genuine issue requiring a trial with respect to Allen-Vanguard's claim against the Offeree Shareholders for damages in excess of the Escrow Fund. It is already clear from a cursory review of documents relating to Allen-Vanguard's right to indemnification that it was aware that such

rights were limited to the Escrow Fund. This matter must be dealt with before the parties and the court are put to the expense of trying a $650,000,000 action.

49. The motion for summary judgment would involve documentary and affidavit evidence regarding the relevant contractual documents, the intention of the parties and the negotiation of the Share Purchase Agreement and Escrow Agreement.

50. The Offeree Shareholders assert that they have a right to bring such a motion and are moving to do so without delay. It is only Allen-Vanguard's delay in moving to amend its statement of claim that prohibits the Offeree Shareholders from bringing a motion for summary judgment and having the trial proceed as scheduled. The Amended Statement of Claim brings to the fore the fundamental question of whether Allen-Vanguard can assert a claim for damages in excess of the Escrow Fund directly against the Offeree Shareholders despite the fact that there are no allegations that the Offeree Shareholders made any misrepresentations or breached the Share Purchase Agreement.

51. This motion cannot be scheduled prior to September 2013 as further documentary production is necessary, numerous affidavits will need to be served by both parties, and it is anticipated that cross-examination will be necessary. Given that a potential claim for $610,000,000 against the Offeree Shareholders is at issue, it is in the parties' best interest as well as the court's interest to ensure that a realistic timetable for the motion is established and that the parties all have the necessary time to ensure that a complete evidentiary record is before the court. This is particular true given that the Offeree Shareholders anticipate that a motion for production of further documents may be necessary.

52. Given that a finding favourable to the Offeree Shareholders would dramatically shorten the trial and preclude the need for the issuance of third party claims, proceeding with a motion for summary judgment in September of 2013 is the best use of this Court's judicial resources.

53. Additionally, if this Court extends the time for a motion for joinder of necessary parties or the issuance of third party claims by the Offeree Shareholders to 60 days following the release of reasons in respect of the motion for summary judgement, fewer judicial resources will be used and nearly 200 hundred former shareholders will not be required to consider whether they may need to have their own counsel involved.

54. Finally, the Offeree Shareholders are presently scheduled to argue a Rule 21 motion on May 10, 2013. As indicated in correspondence from Mr. Lederman, Allen-Vanguard is taking the position that the Offeree Shareholders cannot bring a Rule 21 motion. Allen-Vanguard's counsel has indicated that on May 10, 2013, it will argue that the Offeree Shareholders are barred from bringing such a motion in light of Master MacLeod's finding that he was unable to find Allen-Vanguard's claim to be impossible of success. In light of this position, as well as the wealth of documentary evidence which demonstrates that Allen-Vanguard knowingly entered into an agreement which limited its right to indemnification to the Escrow Fund, the Offeree Shareholders intend to bring a motion for summary judgment in lieu of the presently scheduled Rule 21 motion.

Other Relief Sought

Production of Documents

55. As set out above, it is readily evident that if Allen-Vanguard is going to advance a claim directly against the Offeree Shareholders for the alleged misrepresentations of Med-Eng, then it must disclose all documents relating to the negotiation of the Share Purchase Agreement, including those documents which would formerly have been subject to claims of solicitor-client privilege or any other type of privilege. The Offeree Shareholders ask that Allen-Vanguard be required to do so by May 15, 2013.

56. If this Court is not prepared to order Allen-Vanguard to produce the afore-referenced documents, the Offeree Shareholders request that a date be set aside for a motion for production of these documents.

Expert Reports

57. The Offeree Shareholders' expert reports are currently required to be served by May 31, 2013. Given the damages now sought by Allen-Vanguard, the Amended Statement of Claim will have a dramatic impact on the scope of the expert reports required to defend the Offeree Shareholders' interests in this litigation.

58. As it stands, in order to prepare responding expert reports, the Offeree Shareholders require further examination for discovery as well as production of important documentation. As indicated above, one example of the sort of documents that will need to be produced are the documents relating to all facets of Allen-Vanguard's business from *at least* September of 2007

through 2009, and perhaps beyond. This would include *all* the business and financial information of Allen-Vanguard and its subsidiaries.

59. The Offeree Shareholders request an extension of the deadline for the delivery of their expert reports to a date to be fixed by the court following the release of the reasons in respect of the motion for summary judgment.

Demand for Particulars

60. The Offeree Shareholders intend to serve Allen-Vanguard with a Demand for Particulars relating to the Amended Statement of Claim in the coming days. The Offeree Shareholders request that Allen-Vanguard be required to respond within 14 days of service. The Offeree Shareholders would then be in a position to serve and file an amended statement of defence within 45 days of receipt of Allen-Vanguard's particulars.

This is Exhibit "**U**" referred to in the affidavit of **Paul Echenberg** sworn before me, this 24th day of November 2013.

A Commissioner for Taking Affidavits

COURT FILE NO.: 08-43544
08-43188
08-41899

SUPERIOR COURT OF JUSTICE - ONTARIO

RE: ALLEN-VANGUARD CORPORATION v. L'ABBE et al
L'ABBE et al v. ALLEN-VANGUARD CORPORATION et al
TIMMIS v. ALLEN-VANGUARD CORPORATION et al

COUNSEL: Ronald G. Slaght Q.C. & Eli Lederman, for Allen-Vanguard

Thomas G. Conway & Christopher Hutchison,
for the offeree shareholders

Aaron Rubinoff for Paul Timmis

BEFORE: MASTER MACLEOD

ORDER & DIRECTION

[1] As counsel are aware, I released a decision in February permitting Allan-Vanguard to amend its pleadings. This was under appeal at the time of the appearance on May 16th, 2013 but RSJ Hackland has now released his ruling. Consequently the amendment has been granted and the offeree shareholders are now facing a claim of $650 million.

[2] As a term of my order I granted the opposing parties the right to make submissions regarding terms that should be imposed because of the amendments. That was the purpose of the hearing on May 16th and several terms were requested. Principal amongst those was the question of adjourning the trial.

[3] It is important to provide immediate direction. Though Mr. Slaght and Mr. Lederman strongly object to any adjournment of the trial they quite properly point out that the decision must be made now as it will be even more damaging if the trial is adjourned later in the year. Consequently I see no option but to adjourn the matter if it is the intention of the parties to try all of the issues.

[4] I am conscious of the letter received this morning advising me that notwithstanding the firmly stated intention of counsel for the offeree shareholders to move to add parties if the amendment was granted, Mr. Conway now anticipates his clients may not give him those instructions. It appears therefore that we need not be concerned with additional parties. Nevertheless the offeree shareholders have persuaded me that there will be further production and discovery disputes necessitating motions and it will be impractical to hold the parties to the September dates.

[5] It must be remembered that this trial date was set in December of 2011 at the request of both parties but in particular of the offeree shareholders. This was done despite the fact that none of these actions were ready for trial for three principal reasons. Firstly this was

expected to be a long trial although the estimate of six weeks was not extraordinarily long. There have been much longer trials and that in itself would not have justified setting the trial date two years in advance. A second consideration was the extremely busy schedules of both Mr. Slaght and Mr. Conway and the difficulty of co-ordinating large blocks of time in their respective schedules. Finally the parties had written to the Regional Senior Justice asking that the trial judge be designated well in advance and be a judge with expertise and interest in complex commercial matters. Those reasons remain sound and they are reasons why even if the adjournment is granted a new date should be set immediately. Of course Mr. Rubinoff is also involved now since I have ordered the Timmis matter tried together with the other proceedings.

[6] When the order was made setting the date, however, it was made contingent on the action being set down for trial and all necessary pre-trial requirements being met. While fixed trial dates are intended to be just that, they must yield to the imperative of achieving a just result. Even if parties are not added to the litigation, the amendment effects a fundamental change to the exposure of the offeree shareholders and it also adds issues that were either not before the court previously or which now attract enhanced significance.

[7] For example it is now pleaded that the misrepresentations of Med-Eng and the completion of the purchase based on those misrepresentations caused Allen-Vanguard to spiral into insolvency. This potentially puts in issue the management of Allen-Vanguard, the financial situation of Allen-Vanguard and its other subsidiaries, subsequent events and the CCAA proceedings. Even though fraud and damages were previously pleaded, the offeree shareholders did not have to concern themselves with damages at large beyond the $40 million in the escrow fund. Now they are faced with a damage report including two hypothetical scenarios. Given the disagreements that have already taken place over production and discovery and indeed the issues that remain outstanding it is inevitable there will be further time consuming motion activity before this case as now constituted can be tried.

[8] On the other hand there was some discussion at the hearing concerning the possibility of bifurcating the trial and Mr. Conway wishes to bring a summary judgment motion. I have ruled that it is not possible based on the wording of the SPA alone to determine that there are no circumstances that would permit recovery of more than $40 million from the offeree shareholders. RSJ Hackland has come to the same conclusion. In his decision he notes that it may be necessary to consider parol evidence. Of course the admission of parol evidence requires that the court first find that the exceptions to the "parol evidence rule" apply and the nature and extent of the evidence that will then be admitted is itself open to argument. I am inclined to agree with the submissions of Mr. Slaght that it is quite unlikely that a judge will make that kind of decision on a summary judgment motion.

[9] On the other hand it might be possible to try that question. The question is whether or not the SPA caps the liability of the offeree shareholders even if there was fraud providing it is not fraud on the part of those shareholders. Counsel could agree to try that issue.

[10] There are other threshold questions. Allen Vanguard must prove that there were misrepresentations. They must prove that the misrepresentations were relied upon and that it was reasonable to do so in the face of Allen-Vanguard's own due diligence. In

order to have any possibility of a claim above the amount in the escrow fund they must prove that the misrepresentations were fraudulent. Losing on any one of those issues is either fatal or would confine the remedy to the escrow fund.

[11] I wish to provide the parties with the opportunity to salvage the dates set aside in September as well as the two day pre-trial tentatively scheduled for July. Thus I am directing counsel to confer and to determine if it is feasible to agree to an order under Rule 6.1 and to try certain limited issues. For that purpose the court will continue to hold the scheduled trial date until the next case conference on June 12th, 2013.

[12] In any event the offeree shareholders must now prepare their amended defence and it will be necessary to deal with the scope of additional productions. The remaining privilege issues regarding the outstanding productions must be resolved and remaining discoveries must be scheduled. The offeree shareholders must determine how to respond to the expert report.

[13] These issues will be discussed and further direction provided at the next scheduled case conference.

[14] In summary the September trial will be adjourned. The court will however continue to hold the dates available and also to hold the pre-trial dates in July available pending further direction at the upcoming case conference. Counsel are to confer and to determine if trial of an issue in September would be feasible and in particular whether trial of an issue might be an alternative to spending time and resources on a summary judgment motion.

Master Calum MacLeod

Date: May 30th, 2013

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

affidavit of **Paul Echenberg**

sworn before me, this 24th day

of November 2013.

A Commissioner for Taking Affidavits

COURT FILE NO.: 08-43188
08-43544
08-41899

DATE: July 9, 2013

SUPERIOR COURT OF JUSTICE - ONTARIO

RE: L'ABBE et al v. ALLEN-VANGUARD CORPORATION et al
ALLEN-VANGUARD CORPORATION v. L'ABBE et al
TIMMIS v. ALLEN

BEFORE: Master MacLeod

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ENDORSEMENT

1. The offeree shareholders and Allen-Vanguard have each proposed timetables. Unfortunately they are different. This is principally because of the planned motions – for summary judgment on the one hand and to stay summary judgment on the other.

2. There is also the question of the privilege motion which was adjourned from today. Quite sensibly the parties have agreed to postpone that until the pleadings are once again closed. There may also be privilege issues in connection with the summary judgment motion since the offeree shareholders will be seeking to introduce evidence about the intention of the parties in negotiating the share purchase agreement and it has yet to be determined how Allen-Vanguard will respond to that.

3. Counsel for Allen-Vanguard urges the court to fix a new trial date for October of 2014. I am not prepared to fix a new date and make it peremptory until one of the parties is prepared to set the matter down for trial or at least the path to trial is clear and uncluttered by substantial controversies that are likely to derail the schedule. That said, even if the trial is now 10 weeks, it could readily be accommodated in October of 2014 and provided the date is confirmed by March or April of 2014 it will remain a viable date. The offeree shareholders agree to work towards that target.

4. The parties have each decided to bring motions that are guaranteed to build delay into the schedule. Statistically the majority of such motions are unsuccessful. On the other hand the benefit to the successful party if the motions achieve their objective is obvious. Thus it appears there will be a summary judgment motion and then a motion to stay the summary judgment motion prior to delivery of the responding materials. This is the plan but I have invited counsel to consider whether or not this is the optimum way to proceed.

5. In addition, though the motion to stay is within my jurisdiction, there may be merit in having it heard by the judge who would be hearing the summary judgment motion. Thought will also be required about the materials needed for the stay motion because one of the criteria on such a motion is the question of the apparent merits of the underlying summary judgment motion. See for example *Stever v. Rainbow International Carpet*, 2013 ONSC 1574; (2013) 115 O.R. (3d) 138 (S.C.J.) It therefore appears likely to me that once the materials have actually been served new issues are likely to emerge and some may disappear. Given the track record to date I would also be amazed if there were not controversies arising from cross examination on affidavits that will have to be reviewed.

6. Given the uncertainties that the motions will introduce, though this does not mean that other steps in the proceeding should be put on hold, there is a certain futility to trying to schedule too far into the future at this point in time. There will be a case conference in September and additional conferences have been scheduled through the fall.

7. I have advised the parties there are currently no dates left for long motions before judges before the end of this year. Counsel also have certain trial commitments. I will recommend to RSJ Hackland that a single judge should be appointed to hear all judges' motions and to designate that judge. Once I know the answer to that I will be able to provide the parties with potential dates for motions in October or December. The timetable may have to be adjusted as a result.

8. The question of appointing a neutral e-discovery expert as a discovery monitor remains open. While that might be relief requested on the privilege motion I am told, there is also the possibility that this step should be taken in advance of that motion so that the parties and the court would have the benefit of neutral review and a report to the court. I invite counsel to consider this further.

9. **THE COURT THEREFORE ORDERS AS FOLLOWS:**

    1. The parties are to work towards a targeted trial date in October of 2014. The viability of this date will be reviewed at the beginning of next year and the date confirmed no later than the beginning of April depending on the status of the action at that time.

    2. The following dates are added to the timetable (or amended as the case may be):

        1. Allen-Vanguard's reply to the amended defence will be due on **July 30th, 2013.**

2. Revised affidavits of documents are to be served by **August 23rd, 2013.**

3. Allen-Vanguard's response to the written submissions of the offeree shareholders regarding costs thrown away and the motion to set aside the costs of the amendment motion will be due on **August 9th, 2013.**

4. The offeree shareholders are to serve their motion material for the privilege motion by **September 6th, 2013.**

5. Subject to further order or agreement, Allen-Vanguard is to serve responding material for the privilege motion by **September 30th, 2013.**

6. The offeree shareholders are to serve the material for the summary judgment motion no later than **October 16th, 2013.**

7. Allen-Vanguard is to serve its motion material to stay the summary judgment motion by **October 31st, 2013.**

3. Although the next case conference is not scheduled until September, the parties may request an earlier date and I will make myself available.

Master Calum MacLeod

DATE: July 9, 2013

This is Exhibit "**W**" referred to in the affidavit of **Paul Echenberg** sworn before me, this 24th day of November 2013.

A Commissioner for Taking Affidavits

cavanagh LLP/s.r.l.
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August 6, 2013

VIA EMAIL

Mr. Eli Lederman
Lenczner Slaght Royce Smith Griffin LLP
130 Adelaide Street West, Suite 2600
Toronto ON M5H 3P5

Dear Mr. Lederman:

RE: RICHARD L'ABBÉ, ET AL. V. ALLEN-VANGUARD CORPORATION, ET AL.; CFN. 08-CV-43188
ALLEN-VANGUARD CORPORATION V. RICHARD L'ABBÉ, ET AL.; CFN. 08-CV-43544
OUR MATTER ID: 1267-001

As you are aware, the parties have been ordered to prepare and serve revised affidavits of documents by August 23, 2013. While Allen-Vanguard Corporation ("AVC") has repeatedly indicated that it does not anticipate significant additional documentary disclosure and production as a result of the recent amendments to the pleadings, this letter seeks to highlight some of the types of documents that the Offeree Shareholders view as relevant to the matters in issue and which should be disclosed:

- All budgets, forecasts and projections of AVC for the fiscal years ending September 30, 2007, 2008 and 2009, including those prepared prior to the acquisition of Med-Eng Systems ("MES/AVTI"), following the acquisition of MES as well as those including details by contract and customer, where applicable;
- All documents showing actual revenue of AVC by customer as well as by project/contract, where applicable, for each customer representing 5% or more of total revenue for the years ending 2003 through 2007;
- All documents showing actual revenue of AVC and MES/AVTI by customer as well as by project/contract, where applicable, for each customer representing 5% or more of total revenue for the years ending 2007 through present;
- Financial documents showing the details of AVC's "stand-alone" quarterly revenues for the October 1, 2007 through January 2011;

- Financial documents showing the details of MES/AVTI's "stand-alone" quarterly revenues for the October 1, 2007 through January 2011;
- Financial documents showing the details of AVC's quarterly revenues from January 2011 to present;
- Copies of all AVC's and MES/AVTI's key contracts with customers during fiscal years 2007 through 2009;
- Consolidated annual financial statements of AVC for the period from December 2009 through to present;
- All management reports or other documents comparing actual results of AVC and/or MES/AVTI to budgeted/forecasted results of AVC and/or MES/AVTI and any documents with discussion or information relating the variances from June 2007 through December 2009;
- All budgets/forecasts/projections of AVC for the fiscal years 2013 and beyond;
- All valuation reports and any other documentation prepared for the purposes of AVC's asset impairment testing for the years ended September 30, 2007 through 2009;
- Any and all "fairness decks", competitor analysis, precedent transaction analysis, comparable company analysis, premium analysis, and synergy analysis prepared by Genuity Capital Markets ("Genuity") as well as any supporting documentation;
- Any and all documentation relating to AVC's actual and prepared financing relating to the acquisition of MES/AVTI;
- Any and all presentations or other documentation provided by AVC to potential lenders for the purpose of securing debt financing;
- All documents relating to the financing analyses prepared by AVC in relation the MES/AVTI purchase, including sensitivity analyses, pro-forma debt covenant testing, etc;
- Any documents with calculations and/or discussion/commentary regarding the testing of AVC's debt covenants, including any documents submitted to financial institutions from September 2007 to December 2009;
- Any presentations to AVC's Board of Directors relating to the MES/AVTI purchase and the financing of the MES/AVTI purchase;
- Any documents relating to the Accommodation Agreements, including all relevant supporting documents and correspondence;
- All reports from Deloitte & Touche Inc. ("the Monitor") to the Court;
- All correspondence between AVC, the Monitor, and Versa Capital;
- All documentation supporting the Monitor's analysis of AVC's equity value in December of 2009, including the Monitor's considerations regarding any associated contingent litigation exposure (including as it relates to the class actions);
- All documents referred to in the CCAA materials filed with the Court;
- Any correspondence, documents and presentations regarding a potential transaction with Tailwind or discussions with Tailwind;
- All analysis performed by RBC Capital Markets while engaged as AVC's financial advisor as well as any correspondence or supporting documentation;
- All analysis performed by Genuity while engaged by AVC as well as any correspondence or supporting documentation;
- All documents and correspondence relating to process referred to in paragraph 100 of David Luxton's December 8, 2009 affidavits (i.e. the discussions/correspondence with

the 99 investors approached, the 39 Non-Disclosure Agreement signed, the details of the due diligence processes undertaking by the 16 parties, and the discussions/correspondence with the 5 potential strategic buyers)

- All documentation regarding the restructuring of AVC in 2009, including, but not limited to, materials submitted to the court, correspondence with the stakeholders, internal documents prepared, etc;
- All documentation regarding the restructuring of AVC in 2006, including, but not limited to correspondence with the stakeholders, internal documents prepared, etc;
- All Board of Director minutes referencing the financial periods from June 2007 through December 2009, including all management presentations, reports, exhibits, appendices or other documents presented, circulated or referenced therein;
- All correspondence and other documents regarding AVC's dealings with key customers subsequent to the acquisition of MES/AVTI, including any documents relating to
    - Orders for MES/AVTI product secured, delayed and/or cancelled;
    - Orders for AVC product secured, delayed and/or cancelled;
    - Contracts for MES/AVTI products or services secured, renewed and/or terminated;
    - Contracts for AVC products or services secured, renewed and/or terminated;
    - Unsuccessful proposals/bids related to MES/AVTI products/services that were outstanding as at the acquisition date or issued thereafter;
    - Unsuccessful proposals/bids related to AVC products/services that were outstanding as at the acquisition date or issued thereafter;
- All documentations related to the amalgamation of MES/AVTI and AVC, including but not limited to tax, legal and /or other professional advice regarding amalgamation;
- All documents relating to the negotiations of the Share Purchase Agreement;

While we acknowledge that some of the documents produced to date may correspond to some of the categories of documents set out above, we are of the view that much of the relevant documentation has not been disclosed and would invite AVC to take this opportunity to ensure that there has been fulsome disclosure and production in respect of the matters in issue. It is the Offeree Shareholder's view that fulsome production at this stage of the litigation will reduce the need for motions for production and document-heavy undertakings during the examinations for discovery of David Luxton.

Yours very truly,

Calina Ritchie

Calina N. Ritchie

/ec

C: Ian MacLeod (*by email*)

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Ellie Cote

From:	Ellie Cote
Sent:	August-06-13 4:07 PM
To:	Eli Lederman (elederman@litigate.com) (elederman@litigate.com)
Cc:	Ian MacLeod (imacleod@litigate.com); Thomas G. Conway (TConway@cavanagh.ca); Calina Ritchie; Chris Hutchison
Subject:	Allen-Vanguard Corporation v. L'Abbe et al
Attachments:	2013.08.06 Letter to Lederman re docs.pdf

Good afternoon Mr. Lederman,

Attached please find our correspondence of today's date.

Kind regards,
Ellie Coté
Legal Assistant to Thomas Conway and Christopher Hutchison

cavanagh LLP
LITIGATION COUNSEL | BOUTIQUE DE LITIGE

401-1111 Prince of Wales Drive, Ottawa ON K2C 3T2
Tel.: 613.780.2015 (direct) | Fax: 613.569.8668
ecote@cavanagh.ca | www.cavanagh.ca

This is Exhibit "**X**" referred to in the affidavit of **Paul Echenberg** sworn before me, this 24th day of November 2013.

A Commissioner for Taking Affidavits

341

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August 23, 2013

Ian MacLeod
Direct line: (416) 865-2895
Direct fax: (416) 865-3701
Email: imacleod@litigate.com

VIA COURIER AND E-MAIL

Mr. Thomas G. Conway
Cavanagh LLP
1111 Prince of Wales Drive
Suite 401
Ottawa, Ontario K2C 3T2

Dear Mr. Conway:

RE: Richard L'Abbé, et al. v. Allen-Vanguard Corporation, et al.;
Court File No. 08-CV-43188

Allen-Vanguard Corporation v. Richard L'Abbé, et al.;
Court File No. 08-CV-43544

Our File No.: 39177

In accordance with Master MacLeod's Endorsement dated July 9, 2013, I am enclosing a disc containing:

1. a Summation briefcase with 167 additional Schedule "A" documents; and
2. an electronic copy of Allen-Vanguard Corporation's corresponding Supplementary Schedule "A" dated August 23, 2013.

Our office has recently adopted a new policy, for security purposes, of encrypting any CDs/USBs/harddrives that leave our office. For this reason, I am also enclosing instructions with respect to accessing the information on the enclosed disc with the version of this letter sent to you by courier. A password is required – please contact our law clerk, Grace Tsakas, at 416-865-3714 or gtsakas@litigate.com, to obtain the password assigned to this disc.

In addition, we are still reviewing the list of documents described in Ms. Ritchie's letter dated August 6, 2013 and will respond in due course as to whether we believe that the documents listed are relevant, whether they have already been produced, and whether the request is proportionate.

Yours very truly,

Ian MacLeod

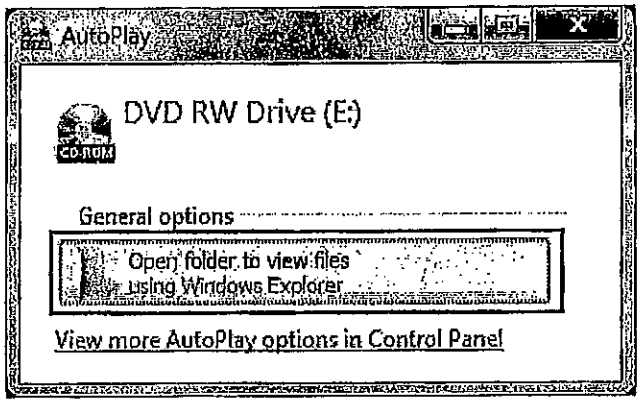
IM/hs
Encls.

cc: Eli S. Lederman
Christopher J. Hutchison *(Cavanagh LLP)*
Calina N. Ritchie *(Cavanagh LLP)*

SafeEnd DECRYPT CD/DVD (External)

1) **Insert** CD/DVD disc into CD-ROM/DVD drive.

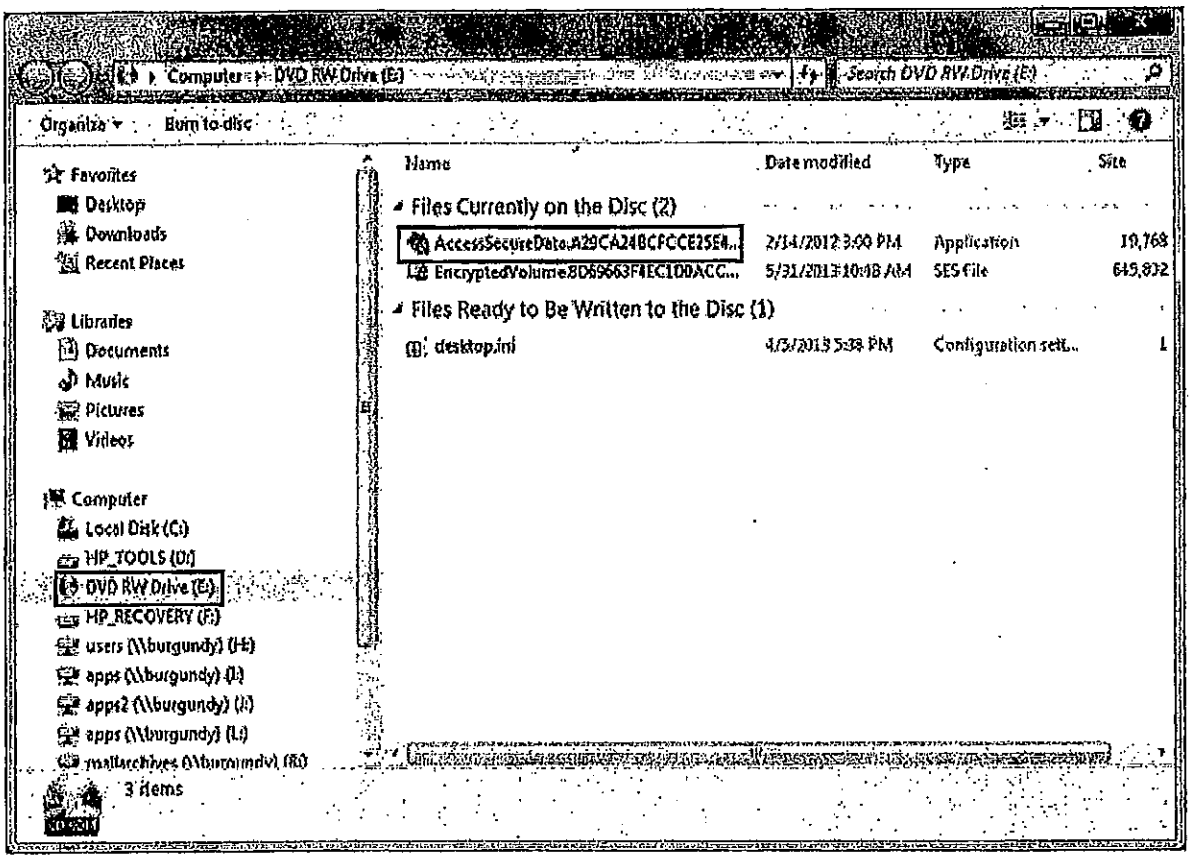
2) Once inserted, the CD/DVD should "Auto-Play". Click **Open folder to view files**



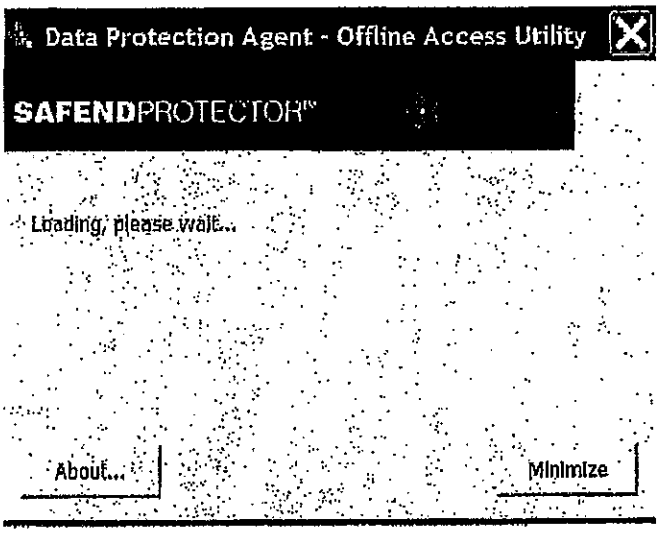
IF disc does not auto-play on your system, please perform the following:

➢ Click **START** > **COMPUTER** > **click** your CD/DVD Drive

3) **Double-click** the file **AccessSecureData.exe**

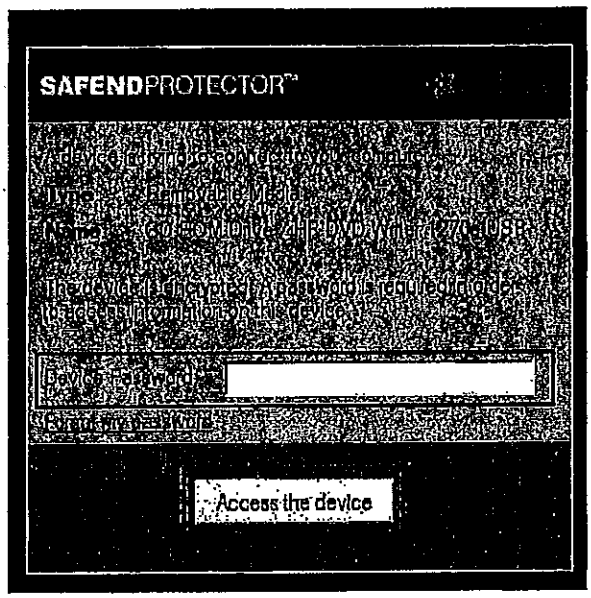


4) The SafeEnd Data Protection Agent will begin to load. The following message will appear on your screen:



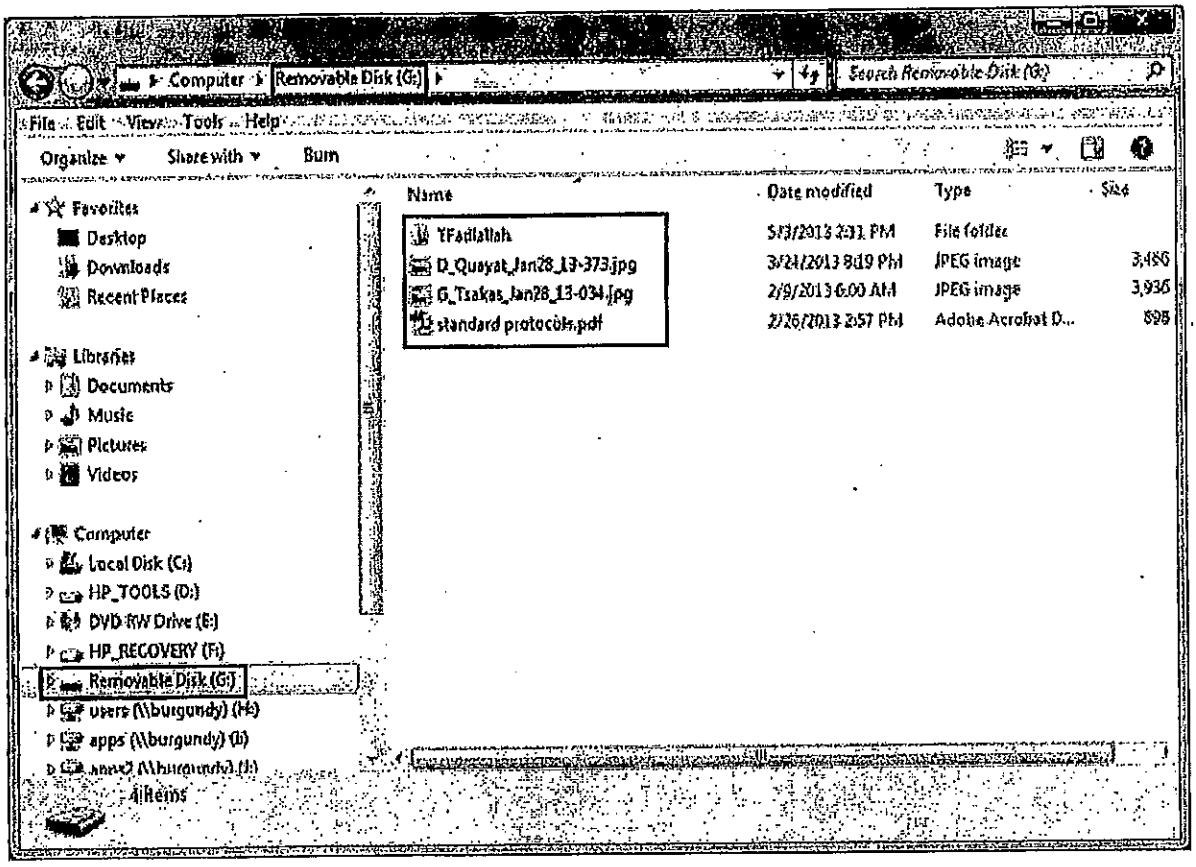
5) Once the Agent has loaded, you will receive the following prompt. **Enter** the Security Password given to you by Lenczner Slaght into the **Device Password:** box.

Once password has been entered, click the **Access the Device** button, to begin the decryption process.



6) Within Windows Explorer (**START > COMPUTER**), a new drive should appear and be labeled **Removable Disk**. Click on this drive to view the contents of the CD/DVD.

The file(s) should now be available for you to access and open.



2917550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Richard L'Abbe, et al.
ALLEN-VANGUARD CORPORATION
SUPPLEMENTARY PRODUCTIONS
2013.08.23
(Summation Load Files)
The contents of this disc are confidential for the use of person(s) or entity to which it was originally sent. Its contents should not be delivered or reproduced to anyone other than the recipient. If you have received or found this disc in error, please notify the sender immediately.

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

affidavit of **Paul Echenberg**

sworn before me, this 24th day

of November 2013.

A Commissioner for Taking Affidavits

CITATION: L'ABBÉ v. ALLEN-VANGUARD, 2011 ONSC 7575
COURT FILE NOS.: 08-CV-43188 & 08-CV-43544
DATE: 2011/12/23

SUPERIOR COURT OF JUSTICE - ONTARIO

RE: Richard L'Abbé et. al. v. Allen-Vanguard Corporation

Allen-Vanguard Corporation v. Richard L'Abbé et al

BEFORE: Master MacLeod

COUNSEL: Thomas. G. Conway, Christopher Hutchison & Calina N. Ritchie for the "offeree shareholders"

Eli S. Lederman for the "Allen-Vanguard parties"

REASONS

[1] Allen-Vanguard Corporation purchased the shares of Med-Eng Systems Inc. in September of 2007. In simplest terms this litigation is because Allen-Vanguard alleges it overpaid for those shares and seeks to recoup part of the purchase price out of a $40 million escrow fund. The central issue is whether or not Allen-Vanguard was negligently or fraudulently misled concerning the fundamentals of the business.

[2] These actions are case managed but it has also been necessary to hear certain formal motions. I have released two previous sets of reasons dealing with production and discovery.[1] The issue before the court on this occasion is privilege asserted by Allen-Vanguard over a massive list of documents. There are approximately 6,000 documents listed in a more than 1,000 page Schedule B to the affidavit of documents.

[3] I have approached this firstly by discussing certain general principles and how broad claims of privilege play out in the context of this particular litigation. I have taken the time to carefully consider first principles for two reasons. Firstly I am hoping that general declarations of principle will guide the parties in resolving or avoiding further procedural disputes. Secondly as we gain experience with new requirements of discovery planning and e-discovery, it is important to leave clear signposts for others to follow. The issues raised by this motion have broader implications.

[4] The reasons next deal with a specific set of documents that were inadvertently disclosed and included in Schedule A and then with the Schedule B documents. Court inspection of 6,000 documents is not a viable option and I have placed the

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[1] See. *L'Abbé v. Allen Vanguard Corporation* 2011 ONSC 4000 (Master) & 2011 ONSC 7331 (Master)

obligation of narrowing the parameters of the dispute in relation to those documents on the parties. I have given direction regarding procedural collaboration, creative solutions and time frames.

[5] The motion highlights the need for new ways of dealing with documentary production in big document cases and in particular in cases dealing with large amounts of electronically stored information.

[6] I have concluded that Allen-Vanguard has inappropriately asserted privilege over broad categories of documents including due diligence documents and virtually all communication with a host of legal advisors including in house counsel. Counsel for Allen-Vanguard recognizes there is work to be done. He has suggested that the motion was premature and there were better tools available to refine the privilege claims than such a blunt instrument. I would agree with this but for the fact that it was Allen-Vanguard which certified its affidavit of documents as complete and makes the sweeping claims of privilege. Given the inordinate delay that has already stalled documentary production, I am not inclined to be too critical of the response.

Background

[7] Allen-Vanguard paid more than $640 million for Med-Eng. At issue in the litigation is a $40 million escrow fund held back from the purchase price. Allen-Vanguard advances claims against the fund for breach of specific warranties in the agreement of purchase and sale. It also claims to have been misled about the value of Med-Eng and accuses former Med-Eng management of misrepresentation and fraud.

[8] As I have pointed out in the previous decisions there are some features of the manner in which the agreement of purchase and sale and the subsequent litigation are structured which complicate questions of production and privilege. These are as follows:

a. The offeree shareholders are not accused of any wrongdoing but are the defendants to Allen-Vanguard's claim. This is because under the agreement the escrow fund (part of the purchase price) is the property of the offeree shareholders unless Allen-Vanguard proves its claims.

b. The former Med-Eng senior managers are accused of fraudulent and negligent misrepresentation with the purpose of inducing Allen-Vanguard to pay an inflated price and to proceed with the transaction but they are not parties. No relief is claimed against them by Allen-Vanguard. No third party claim has been asserted by the offeree shareholders.

c. Med-Eng (AVTI) is not named as a party by Allen-Vanguard because it is fully owned and managed by Allen-Vanguard and in fact is now amalgamated with Allen-Vanguard. Yet the warranties which are said to have been breached are expressed to be warranties given by Med-Eng itself. Moreover Med-Eng would have been vicariously liable for the acts of its officers and directors. But the only remedy for breach of the warranties is a

> claim against the escrow fund and the only remedy Allen-Vanguard seeks for misrepresentation is also a claim against the fund.[2]

[9] Consequently the wrongdoing is asserted against non parties and the remedy is sought against parties who are not accused of wrongdoing though they are the beneficiaries by virtue of receiving the allegedly inflated purchase price. Had the remedy not been limited to the fund and had Allen-Vanguard and Med-Eng remained separate entities, one would have expected the former managers, the corporation and the offeree shareholders to be co-defendants. It should be noted that there is no claim by the former Med-Eng that the former senior managers were not acting in the best interests of the corporation.[3]

[10] Central to the litigation are the questions of what representations were actually made, whether they were false and the extent to which Allen-Vanguard relied upon those representations. The critical issue is the valuation of Med-Eng shares and therefore of the value it was reasonable to attribute to the business of Med-Eng at the time of the purchase. Thus it is not so much the accuracy of Med-Eng financial statements that is in question but what was known and what should have been known concerning financial and cash flow projections, future opportunities and risks; in particular the risks associated with key military contracts.

[11] There are a number of specific misrepresentations alleged in the statement of claim. These can be found under the headings, "misrepresentation of MES revenue profile", "misrepresentations with respect to contingent and other liabilities", "misrepresentations with respect to status of MES contracts and commitments" in the latter half of the statement of claim. Importantly for purposes of this motion, however, the claim contains the following general assertions:

> "MES made a number of misrepresentations as to its expected bookings, revenue and earnings and as to the status of MES's customer relationships ..."

> "These representations were made knowing that Allen-Vanguard would rely on such representations and were made to induce Allen-Vanguard to enter into the transaction and to pay an inflated purchase price."

> "MES represented ... that there had been no Material Adverse Effect which could reasonably be expected to be materially adverse to the business, assets, liabilities, financial condition or results of operations of the corporation since June 30, 2007."

> "MES further represented ... that there were no suits or proceedings pending or threatened which could materially adversely affect the corporation"

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[2] The agreement contains the following provision:
(5) The Indemnification Escrow Amount shall be the Purchaser's sole recourse in the event of a successful Claim made by the Purchaser against the Corporation or the Shareholders except in respect of liability of any Shareholder for a Claim based on the absence of, or deficiency in, the title of that Shareholder to its shares, or liability under any Claim attributable to fraud of that Shareholder.

[3] There is separate litigation against former vice President Paul Timmis who remained in place at AVTI after the takeover. That litigation does assert breach of duty to the corporation although it also raises many of the same issues as alleged in this litigation. The Timmis matter is not before me at the moment.

> "... the former management of MES knew or ought to have known that these orders were unlikely to generate the revenue which had been projected or were unlikely to even materialize at all."
>
> "... The projections with respect to MES's expected revenue, earning and bookings, were made by the management of MES, knowing that they would impact on Allen-Vanguard's desire to enter into the transaction and the price it would be willing to pay for MES."

[12] In the statement of defence there are specific contractual defences. The offeree shareholders deny that any wrongdoing by the non party former managers can trigger a claim against the escrow fund which they say is limited to satisfying any breaches of the specific warranties. More generally however, the offeree shareholders plead that there were no misrepresentations and in any event deny that Allen-Vanguard relied on any representations not contained in the contract. They deny any damages flowing from the alleged breaches and they put failure to mitigate in issue.

[13] Because Allen-Vanguard is asserting claims of negligent and fraudulent misrepresentation in the formation of the contract and setting of the price, knowledge and reliance are critical issues. This puts in play the state of knowledge of both parties, what communication took place, what independent inquiries were made or should have been made. The extent of due diligence by both parties will be in issue. A great deal of the communication between the parties and with proposed lenders leading up to the closing of the transaction is potentially relevant. Since the accuracy of projections and risk is in issue, as is failure to mitigate, what subsequently occurred and why will also be relevant. This list is not exhaustive.

[14] Given the issues raised by the pleadings, and the fact that Allen Vanguard gained control of all Med-Eng documents, computers and the remaining employees following the closing, it is perhaps not surprising that Allen Vanguard has identified many thousand potentially relevant documents.

[15] In my earlier reasons[4], I outlined some of the difficulty and delay involved in the documentary production to that point. Allen Vanguard had originally identified 600,000 potentially relevant documents and had then narrowed those to closer to 400,000 for review. Almost 10,000 documents were ultimately identified as relevant and not subject to privilege. Those documents are now listed in Schedule A to the affidavit of documents.

[16] There are two main issues raised by this motion. The first has to do with documents over which privilege is claimed but were inadvertently released to the offeree shareholders. The court must determine whether these documents are privileged and if so whether the privilege has been lost or waived. The second issue is the 6,000 documents that are listed in Schedule B. These by definition are documents

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[4] *Supra @ note 1*

that Allen Vanguard has identified as relevant but over which privilege is claimed. That claim of privilege is challenged. The onus is on Allen-Vanguard to prove that the Schedule B documents are properly privileged.[5]

[17] In addition to the evidence set out in the affidavit of documents itself, Allen-Vanguard has filed additional affidavit evidence in support of the claims of privilege. Only two of the disputed documents were provided for court inspection as part of the motion material.

General Principles

[18] Before dealing with the specific documents, it seems important to discuss general principles.

The need for collaborative discovery planning

[19] First and foremost, when dealing with vast numbers of documents, particularly electronically stored information, the parties ought to be devising methods for cost effectively isolating the key relevant documents and determining claims of privilege To the extent that there is disagreement about the scope of relevance or privilege, it may be necessary to obtain rulings from the court but the onus is on counsel to jointly develop a workable discovery plan and to engage in ongoing dialogue.[6]

[20] Allen-Vanguard complains that this motion is premature. Rather than launch a motion challenging the 6,000 claims for privilege, Allen-Vanguard argues that the offeree shareholders should have asked specific questions about the documents and the circumstances giving rise to privilege. While that might well have been a useful discussion in the context of discovery planning, Allen-Vanguard has declared that every one of these documents are privileged. As such, the onus is on Allen-Vanguard to justify the claims of privilege. The offeree shareholders are of course entitled to cross examine on the affidavit of documents during discovery and indeed certain questions were addressed to Mr. Luxton. There is however no requirement for the offeree shareholders to ask questions about every individual document before calling on Allen-Vanguard to justify its privilege claims.

[21] I accept that faced with this volume of documents, new approaches must be adopted but this cannot be a unilateral exercise. It requires ongoing procedural collaboration with court direction if necessary. Collaboration will not always result in agreement but where agreement is not possible, transparency should be the order of the day. Faced with this number of documents, the parties and the court must re-evaluate traditional approaches. Caselaw developed for manageable numbers of paper based documents must also be re-evaluated. Painstaking scrutiny of each individual document is disproportionate to the objective and unjustified even for a claim of this

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[5] *Ansell Canada Inc. v. Ions World Corp.* (1998) 28 C.P.C. (4th) 60 (Ont. Gen. Div.)
[6] Rules 29.1 in particular subrules 29.1.03 (3) (a) and (4), 29.1.04 and Sedona Canada Principles 2, 4, 7 & 9

magnitude. Technology must be harnessed. Creative solutions need to be embraced. Counsel owe it to their clients and to the administration of justice to find efficiencies without, obviously, sacrificing the objective of a just outcome.

[22] The notion that the court or even the parties themselves should manually review 6,000 Schedule B documents is unworkable, impractical and unduly resource intensive. In this case the parties are using outside e-discovery experts and they have agreed on a number of important protocols such as format, coding, data fields and electronic exchange of documents but when it comes to the substantive questions of relevance and privilege they appear to be working in isolation. Rather than unilateral decision making, collaboration between counsel and their respective experts might yield some promising efficiencies.

[23] Various e-discovery solutions are available including software solutions such as predictive coding and auditing procedures such as sampling. It is naive to expect complete procedural agreement in an adversarial system but there should be a mutual interest in identifying critical documentary evidence while preserving legitimate claims for privilege.[7] Suffice to say traditional approaches to production motions cannot be used for production on this scale.

[24] Even with $40 million at stake, efficiency and cost effectiveness in production and discovery should be a mutual goal. Questions of relevance and privilege must be answered of course but it is necessary to apply those filters in a practical manner. Central to that exercise is to ensure that both relevance and privilege claims are properly focused and calibrated. Adjudication may be an important part of that exercise. Equally or more important is the need for collaborative and creative goal oriented problem solving by the parties and their respective counsel.

The scope of relevance and privilege

[25] Generally speaking when huge numbers of documents are identified as potentially relevant, one suspects the ambit of relevance is being drawn too widely. Perhaps a more useful goal than mere relevance would be to consider utility. The massive number of documents identified as relevant suggests a failure to think clearly about probative value, and the matters which ultimately may have to be proven at trial.

[26] I recognize that the ambit of relevance is broadly sketched by these pleadings but no one can possibly believe 10,000 Schedule A documents will actually be introduced into evidence at trial or that there are 6,000 critical Schedule B documents that can legitimately be withheld. The objective should be to isolate the documents that actually have probative value – that prove or disprove the disputed allegations. In the remote event that all those documents are actually important, then what is really necessary is a form of audit and review. In that case the documents will

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[7] In my previous reasons, I referred the parties to the Sedona Co-operation Proclamation.

ultimately be distilled through the lens of expert testimony. Indeed, access to the source documents by experts may well be a necessary solution in a case such as this.

[27] Turning to the specific claims of privilege, it is obvious those claims have also been drawn too broadly. Allen-Vanguard has asserted privilege over all of the due diligence documents and over almost all documents sent to or from its legal counsel. As I will discuss in a moment, that may have been an appropriate starting point for internal review but it is not an appropriate position at this stage in the litigation.

Solicitor-Client Privilege

[28] More accurately referred to as client & lawyer privilege, there is no question that the privilege which exists between a client and his or her lawyer is now regarded as a fundamental civil and legal right.[8] Moreover it is a right that is critically important to the administration of justice and as such it is one of the rare class of privileges which cloaks the communication with presumptive inadmissibility.[9] Solicitor client privilege must therefore be taken very seriously. It is so important that no matter how important or probative the information might be, the truth seeking function of the justice system must generally yield to the importance of maintaining the privilege. Conversely of course it is important to confine claims of privilege to their proper ambit. Inappropriate claims of privilege cannot be permitted to shield admissible evidence from disclosure. Misuse of privilege is to debase it.

[29] There is no dispute about the essential requirements for privilege to attach to a document. The privilege attaches to written or oral communication which was confidential in nature and is between a client and a lawyer in relation to seeking, formulating or giving of legal advice. The privilege may extend to information conveyed between the client and lawyer through an agent or other intermediary. The objective of the privilege is to ensure that effectual legal assistance may be obtained by fully and frankly disclosing all material facts to the lawyer in confidence.[10] It is however the communication between the client and the lawyer that is privileged and not objects or documents that otherwise exist.[11] Simply providing a document that is otherwise not privileged to a lawyer in order to obtain legal advice does not render the document itself a privileged document. Consequently attachments to privileged e-mails may or may not be privileged themselves.

Litigation Privilege

[30] I need not say much about litigation privilege at this point as it is generally understood to be a type of privilege which may overlap with solicitor client privilege but is not identical to it. Litigation privilege exists for the proper functioning of the

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[8] *Canada v. Solosky* [1980] 1 S.C.R. 821 (S.C.C.)
[9] *R. V. Gruenke* [1991] 3 S.C.R. 263 (S.C.C.); *Blank v. Canada* [2006] 2 S.C.R. 319 (S.C.C.)
[10] Sopinka, Lederman, Bryant, *The Law of Evidence in Canada, 3rd edition*, 2009, @ p. 925
[11] Sopinka, Lederman, Bryant, supra @ para 14.60, p. 932

adversary system and it is essentially designed to protect litigation strategy. It is a form of privilege that is not permanent and may end when the litigation ends. Providing documents have been created for the dominant purpose of use by counsel in the litigation process, they will be privileged. [12]

Settlement Privilege

[31] I do need to say something about claims for privilege over settlement discussions. This is an area of law which has been evolving. It has long been understood that offers to settle litigation are privileged within the context of that litigation. Specifically the trier of fact should not be aware of the offer before rendering a decision. This is to avoid the decision being tainted by the idea that an offer is an admission of liability or to avoid the assessment of damages being coloured by the quantum of an offer. Formal offers to settle are specifically protected by the Rules of Civil Procedure.[13] All communications made in mediation are also deemed to be without prejudice settlement discussions.[14]

[32] Settlement discussion privilege has gradually been more broadly recognized. It goes beyond offers and it is not confined to mediation. All discussions intended to resolve litigation, including discussions that take place in contemplation of the litigation should now be considered inadmissible in the litigation at least until after the trial.[15] This is not a privilege that attaches to contractual negotiation generally. The privilege will apply if litigation is in existence or in contemplation; if the communication is made with the express or implied intention that it will not be disclosed to the court in the event the negotiations fail; and, if the purpose of the communication is to effect a settlement or buy peace.

[33] Like litigation privilege, and unlike solicitor client privilege, this privilege is not a substantive rule of law nor is it a fundamental civil right. It will yield more readily in the balance between truth seeking and preservation of confidence. That is to say that it is not as important as solicitor client privilege. Also like litigation privilege, it is not a durable privilege. It exists only for a transitory purpose and that is to encourage settlement by ensuring that settlement discussions do not prejudice the parties if litigation must continue.

Waiver of Privilege

[34] I will come back to the question of waiver more than once. Privilege may be waived by the party entitled to rely upon it. But waiver may be inferred. The two most common methods of attracting an inference of waiver are either releasing the information so that it is no longer confidential or by putting the privileged advice in

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[12] *General Accident Assurance Co. v. Chrusz* (1999) 45 O.R. (3d) 321 (C.A.)
[13] Rule 49.06
[14] Rule 24.1.15
[15] See *TDL Group Ltd. v. Zabco Holdings Inc.* 2008 MBQB 86; 227 Man.R. (2d) 66 (Man.Q.B.) @ paras 20 - 32

issue in the litigation. Once privilege has been waived, the privilege is gone over the entire subject matter of the communication because a party may not "cherry pick".[16]

[35] As I will discuss shortly, I am of the view that the pleadings in this action constitute a waiver over any privilege attaching to due diligence. This is an example of the second method. Disclosure of privileged information to third parties or to the other side in the litigation may be an example of either explicit or implicit waiver because it demonstrates that the client no longer considers the privileged information to be confidential.

[36] It follows however that inadvertent disclosure – if it is truly inadvertent – should not be treated as a waiver of privilege unless the party making the disclosure is truly reckless or delays in reasserting the privilege or certain other conditions are met.

Inadvertent Disclosure

[37] I need not say a great deal more than that about inadvertent disclosure. Privilege is not waived by disclosure unless the party making the disclosure intended to waive privilege and was authorized to do so.[17] On the other hand privilege may be lost through inadvertent disclosure based on considerations such as the manner of disclosure, the timing of disclosure, the timing of reassertion of privilege, who has seen the documents, prejudice to either party and the requirements of fairness, justice and search for truth.[18] Both parties referred to the same authorities and the law in this area is not seriously in dispute.

[38] In cases involving large numbers of documents, it must be expected that some privileged documents might inadvertently be disclosed. This is frequently addressed in discovery plans by way of clawback agreements.[19] Inadvertence will not by itself amount to waiver but this does not mean the court will protect a party from reckless release of privileged documents.[20] In any event notwithstanding the attempt to reassert privilege, the court may determine that privilege has been lost and may decline to permit the documents to be removed from Schedule A of the affidavit of documents.

[39] Of course the court may inspect the documents that have been released in addition to the evidence when determining the matter. There are at least three possible findings: the documents are not privileged documents; the documents would ordinarily be privileged but privilege has been waived (explicitly or implicitly); or the documents would ordinarily be privileged but it would be unjust to require them to be returned. In my view the latter would be extraordinary. Ordinarily inadvertent disclosure will not constitute waiver and if privilege is reasserted in a

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[16] *Guelph (City) v. Super Box Recycling Corp.* (2004) 2 C.P.C. (6th) 276 (S.C.J.) @ para 78 - 80
[17] *Guelph (City) v. Super Box Recycling Corp.* supra @ para. 90
[18] *Dublin v. Montessori Jewish Day School of Toronto* (2007) 85 O.R. (3d) 511 (S.C.J.)
[19] See Sedona Canada Principle 9
[20] *Air Canada v. WestJet* (2006) 81 O.R. (3d) 48 (S.C.J.)

reasonable and timely manner, the documents should be ordered returned and removed from Schedule A.

Due Diligence & Privilege

[40] One of the categories of documents over which privilege is claimed is due diligence conducted by Allen-Vanguard as part of the decision to purchase the Med-Eng shares or as part of the process of raising financing. In effect these are the same thing because Allen-Vanguard's decision whether or not to proceed with the transaction was contingent on satisfying its lenders and raising the necessary capital.

[41] Due diligence needs to be properly understood. It is a phrase susceptible to different meanings. It has been described as a "malleable concept that is used in both corporate and regulatory law, with origins in the tort law concept of the reasonable person."[21] In other words due diligence ordinarily means demonstrably meeting a standard of reasonable care. In corporate and securities practice, "due diligence" describes a prospective buyer's or broker's investigation and analysis of a target company, property or security.[22]

[42] Of course the regulatory and corporate worlds are related. As a publicly traded company seeking additional investment and subject to prospectus requirements, "due diligence" in making a major acquisition may be a necessary component of defence to subsequent civil or criminal prosecution under securities and other legislation. The agreement contemplated a public offering by Allen-Vanguard but the due diligence conducted with an eye to regulatory compliance in this case cannot be readily separated from due diligence conducted to decide whether or not to close the transaction. In the context of my reasons, "due diligence" refers to the steps taken by Allen-Vanguard to assess the merits and risks of proceeding with the purchase of Med-Eng at the agreed upon price.

[43] In mergers and acquisitions generally there is a time period during which the proposed purchaser has the right and obligation to satisfy itself of the quality of the investment. This is often a multi step process in which there must first be tokens of good faith and commitment. In exchange, the proposed purchaser is given complete access to the target company in order to drill down deeply into the books, records and operations of the company and to satisfy itself that it should proceed with the transaction. Often subsumed under the rubric of "due diligence", the searches and investigations conducted on behalf of the prospective purchaser or investor are frequently co-ordinated by transactional counsel. Due diligence reports and audits will usually be reviewed or even commissioned by counsel. While frequently extremely complex, in essence these pre-closing investigations are similar to

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[21] Archibald, Hon. Todd L. et. al., *Regulatory and Corporate Liability: From Due Diligence to Risk Management*, Canada Law Book, 2009 – 2011, p. 4-1

[22] *Black's law Dictionary, 9th edition*, p. 523

searches, inspections, surveys and environmental audits regularly conducted in residential or commercial real estate transactions. Typically the purchaser has an option to terminate the agreement if not satisfied with the results.

[44] In agreements to acquire or invest in a business due diligence is often broken down into a series of audits or tests such as financial audits, marketing audits, production and inventory audits, management audits, risk analysis, and of course legal opinions. Clearly there is a legal component to much due diligence.

[45] In particular, lawyers may be asked to opine concerning regulatory compliance, contractual interpretation, or prospects of litigation. Legal analysis is frequently part of risk analysis. It would be odd if it were otherwise. Contracts will have to be interpreted. The risk of litigation will have to be analyzed. Regulatory risks in different jurisdictions must be assessed. Clauses will have to be drafted or interpreted during the negotiation process. Lawyers are frequently in the thick of merger and acquisition work. But not all of that work and certainly not all of the accounting or other work done in support of that work can attract solicitor client privilege

[46] It is important to remember that the ultimate objective of these inquiries is a business decision – whether or not to proceed with the purchase or whether or not to lend money to fund the acquisition. In that sense the ultimate outcome is not a legal opinion but business advice. Most of the inquiries made in support of the due diligence processes are not legal inquiries and they are not gathered for the purpose of giving legal advice.

[47] Additionally, the legal opinions forming part of due diligence are for the most part opinions based not on confidential information of the client as would ordinarily be the case but based on confidential information disclosed by the target corporation. It may be concluded that not all aspects of due diligence are subject to solicitor client privilege and those which might yield to different policy considerations when assessing whether or not privilege has been waived.

[48] It is here that Allen-Vanguard has it backwards. In their factum they seek to bring all of the due diligence inquiries conducted by accountants or others under the umbrella of solicitor client privilege. This is because these inquiries inform the giving of legal advice. In my view however the legal advice is ancillary to the fundamental inquiry whether or not to make the investment. The legal opinions inform the investment decision.

[49] Finally there is the question of waiver. Due diligence or lack thereof is at the very heart of this proceeding. Allen-Vanguard cannot claim to have been misled if it already knew the risks associated with the purchase. Moreover the analyses conducted at the time are pertinent to determining if the information conveyed to Allen-Vanguard can be said to be materially misleading or false. It cannot be open to Allen-Vanguard to take the position that it was misled by representations which it now says were false and then refuse to disclose what due diligence was carried out

and what information was available to it through the due diligence process. In fact it will also be relevant to know what if any searches or inquiries Allen-Vanguard should have undertaken but failed to do. Implicit in the very notion of due diligence is a standard of reasonable care.

[50] There is authority to the effect that putting state of mind in issue when legal advice formed part of the basis for that state of mind should be regarded as waiving privilege.[23] Similarly in my view by implicitly putting due diligence in issue there is waiver of privilege over legal advice integral to the pre-closing inquiries and searches. To avoid the limitations of liability in the contract Allen-Vanguard may have to show that the risks that materialized were not within the contemplation of the parties when the agreement was signed.

[51] In summary, I do not rule out the possibility that there are legal opinions over which privilege may legitimately be maintained. For example it may be that legal advice concerning regulatory compliance by Allen-Vanguard itself or in relation to its lenders following the sale can be distinguished from work done to assess the merits of the investment, to accept the price, to waive conditions and to proceed with the purchase. In general however I would hold that any privilege existing over Allen-Vanguard's due diligence has been waived and exceptions would have to be justified on a case by case basis. But even if that is incorrect, in my view financial analysis and similar audits forming part of Allen-Vanguard's pre-closing investigation of Med-Eng's business never attracted solicitor client privilege even if those investigations were co-ordinated by counsel.

[52] This is because the ultimate objective was business advice and not legal advice. It is certainly possible to have privileged legal advice obtained for business purposes and it is not always possible to draw a bright line between legal and other advice. It is clear however that purely business advice, even if given by a lawyer, is not subject to solicitor client privilege.[24] It is even less likely that purely business advice sent to a lawyer or assembled in the office of a lawyer attracts such privilege.

[53] For all of these reasons, I conclude that the due diligence documents are not inherently privileged. Any claims of privilege over specific components of the due diligence will have to be shown to be exceptions. That would require that they be either legal advice or documents created for the principal purpose of obtaining such advice and that also survive any deemed waiver of privilege created by these pleadings.

Whose privilege is it?

[54] Another consideration in assessing privilege claims is the question of who is inside the privilege tent. In the course of conducting due diligence a great deal of

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[23] *Toronto-Dominion Bank v. Leigh Instruments Ltd. (Trustee of)* (1997) 32 O.R. (3d) 575 (Ont. Gen.Div.)
[24] *R. v. Campbell & Shirose* [1999] 1 S.C.R. 565 @ para. 50

information including financial information, business practices, trade secrets and even legal opinions that would normally be held confidential by the target corporation is shared not only with the purchaser but also with prospective lenders, outside review agencies and with counsel for the vendor offeree shareholders. Contractual provisions are ordinarily in place to ensure that misuse is not made of this information, that it retains its character as proprietary confidential information and that all copies of the information are returned if the transaction does not proceed. Of course when the transaction closes, the bundle of ownership rights including privilege that belong to the target corporation passes to the new owners. In this case Med-Eng became AVTI and ultimately was amalgamated with Allen-Vanguard itself. Allen-Vanguard thus inherits Med-Eng's claims to privilege but in this case any pre-closing privileges enjoyed by Med-Eng cannot be exclusive.

[55] It is particularly questionable whether any Med-Eng privileges can be asserted against the offeree shareholders in the context of this litigation. There is a difference between confidentiality and privilege. It is one thing to preserve the confidential character of information when it is shared with other parties. It is quite another to argue that that information is privileged against the party that was made privy to that information in subsequent litigation. All of the documents and information provided by Med-Eng to Allen-Vanguard or to third parties at the request of Allen-Vanguard was information to which Med-Eng management and the offeree shareholders would have had access in the course of the negotiations.[25] Indeed the right of the offeree shareholders to have access to confidential documents supplied to Allen-Vanguard continues to exist after closing. That right is preserved in the agreement of purchase and sale.[26]

[56] I therefore agree with the submission that the offeree shareholders, Med-Eng and Med-Eng management would have had common interest privilege prior to the closing. Med-Eng privileges up to the date of closing cannot be asserted against the offeree shareholders in the context of this litigation.[27] I am not suggesting that Allen-Vanguard does not have its own claims for privilege apart from privilege inherited from Med-Eng. The point however is that the question of whose privilege is involved in different pieces of communication is potentially complicated. This also militates against overly broad privilege claims.

Communications involving Elisabeth Preston

[57] Quite apart from the due diligence, Allen-Vanguard cannot assert blanket claims of privilege over all communication to or from Elisabeth Preston or other legal advisors. Ms. Preston was a partner at Lang, Michener and was transactional

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[25] Besides having nominees on the Board, in the context of the transaction, the offeree shareholders through their counsel had access to the same information as the corporation and Med-Eng management.

[26] for example paragraph 6.02 (1) which preserves a right of access to certain documents by the offeree shareholders after closing.

[27] See Sopinka, Lederman & Bryant, supra @ para 14.50, p. 928 and cases referred to

counsel for Allen-Vanguard but she also played the role of in-house counsel. She formally assumed the role of Chief Legal Officer after closing and was then part of the senior management of Med-Eng and later Allen-Vanguard.[28]

[58] As either general counsel or as part of the senior management team, Ms. Preston would have received requests for legal advice and would have dispensed legal advice which would be subject to privilege. She would also have received information that was not privileged and may have given advice that was not legal advice. Certainly she would have been in receipt of information that was not information for the purpose of giving specific legal advice. It is not enough that her role in management was because of her legal expertise or that she would only be involved if there was a legal dimension to the decision. It has been held for example that general legal information collected in the office of counsel or made available by counsel for the general legal education of an organization is not privileged.[29] It will not do to simply isolate any documents bearing Ms. Preston's name and to assert that they are privileged.

[59] The same may be true of other legal advisors who played multiple roles. Allen-Vanguard has identified numerous law firms and lawyers who they say provided relevant and important advice relating to the transaction generally or due diligence in particular. These claims will have to be explored with greater particularity having regard to my ruling on due diligence. A balance will have to be struck between the nature and purpose of the claim for privilege on the one hand and on the other, the need to elucidate whether or not anything communicated by the former managers could have misled Allen-Vanguard.

[60] With those general observations, I can turn to the specific items in dispute.

The inadvertently disclosed documents

[61] Certain disputed documents are already in the hands of the offeree shareholders. All of these are currently in Schedule A of the Allen-Vanguard affidavit of documents but they are documents over which Allen-Vanguard now seeks to assert privilege. The court must first determine if the documents are privileged, then determine if the privilege has been waived. If they are and remain privileged then it would be necessary to formulate appropriate relief. The relief requested is the return of the privileged documents and amendment of Schedule A to the affidavit of documents.

[62] I will deal with each of the listed documents in turn.

The KPMG Report – AVC00023109

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[28] I believe Ms. Preston continues in this role while also being a partner at McMillan LLP.
[29] See *Toronto-Dominion Bank v. Leigh Instruments Ltd.* (1997) 33 O.R. (3d) 575 (Gen.Div.)

[63] The first and most significant of the documents is the "draft" KPMG report. This document was produced for inspection. It is entitled "Project Superman Due Diligence Assistance, Draft, September 7, 2007" and was prepared for the CFO of Allen-Vanguard Corporation to "assist Allen-Vanguard ... in performing due diligence" in connection with the proposed investment. The document appears in Schedule A of both parties so it was in the hands of the offeree shareholders before the litigation commenced. It turns out that its provenance is problematic. Allen-Vanguard takes the view that it is in reality a privileged document and now wishes it returned.

[64] Apparently during the negotiations leading up to the share purchase, there was a meeting at the offices of McCarthy Tetrault in Ottawa. The KPMG report was seemingly left behind by someone on the Allen-Vanguard negotiating team and was collected along with other papers by McCarthy Tetrault staff. It then remained in the possession of Mr. Chapman who was counsel for the offeree shareholders until his file was obtained for the purpose of preparing for this litigation. There is no evidence that Mr. Chapman was even aware he had it or that his clients ever had access to it during the negotiation.

[65] I need not deal with whether or not the report was a privileged document in the context of the negotiations that were ongoing at that time. I am satisfied that at the very least it was confidential and that it was left behind inadvertently. I accept that if it is a document to which privilege then attached, leaving it behind after a meeting would not in and of itself be a waiver of privilege though there are circumstances in which inadvertent disclosure can lead to loss of privilege.[30]. I need not determine if those factors lead to loss of privilege in this case because in my view the document is not a privileged document at this time in the context of this litigation.

[66] The report sets out the procedures KPMG was retained to perform and the results of those procedures. It is a document that was available to Allen-Vanguard and was one of the documents used by Allen-Vanguard in deciding whether or not to purchase Med-Eng and in assessing a fair price. Though it is marked as a "draft" it was quite clearly part of Allen-Vanguard's due diligence process. I have already expressed my general view that due diligence is not covered by solicitor client privilege. Inspection of the KPMG report reinforces my opinion that this is not a privileged document. There is a covering letter directed to Rob Ryan, Chief Financial Officer of Allen-Vanguard which clearly sets out that the sole purpose of the report is "to assist [Allen-Vanguard] in its evaluation of the Target". On its face the document was intended to assist Allen-Vanguard in determining whether or not to proceed with the transaction and whether or not the price was fair. That is business and investment advice and it is not privileged.

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[30] See *Dublin v. Montessori Jewish Day School of Toronto* (2007) 85 O.R. (3d) 511 (S.C.J.) @ paras. 66 – 68. See also *Spiral Aviation Training Co. v. Canada* (2009)

[67] Accordingly the offeree shareholders need not return the report. It is not privileged and it properly remains part of the Schedule A documents.

Document AVC00026667

[68] This is the only other document that was produced for inspection. It is an e-mail from Elisabeth Preston to Chris Waitman copied to Andrew Munro & John Milne and dated July 29th, 2008. It deals with "clearing milestones". It has already been partially redacted. Since the e-mail seems to deal not with legal advice but whether or not certain steps had been completed to fulfil an agreement, I see nothing in the copy that was produced that reveals privileged information.

[69] Inspecting this document reveals the futility of examining individual documents out of context. It is impossible to determine from looking at the document itself why it is relevant or what aspect of it would be privileged. I presume it is relevant because it is part of the narrative of the eventual breakdown of a relationship with General Dynamics Armaments and Technical Products (GDATP). It is dated many months after closing.

[70] In any event I am not satisfied that privileged information is disclosed in the document and it will remain in the productions in the form that has been produced.

Draft Statement of Claim – Document OS0000345

[71] A draft pleading was sent by e-mail from Mr. Luxton to Paul Echenberg of Shroeders[31] for the specific purpose of settlement discussions. The e-mail expresses that the pleading is a draft of a claim, that it is for settlement purposes and that it is delivered on condition it will be returned if there is no settlement. Nothing could be clearer. The draft pleading was prepared for the purpose of discussing settlement and the communication is protected by settlement discussion privilege. It is in my view improper to use it in the litigation. The settlement proposal was with a view to avoiding exactly the litigation the parties are now involved in.

[72] To be honest I do not understand why this document is an issue at all. No one has explained why it is relevant or what probative value it could possibly have. One might speculate that a draft pleading containing a different version of events or a different calculation of damages could raise suspicions about the accuracy of what was ultimately pleaded in the real statement of claim but it is not a sworn document and would be of limited utility.

[73] In my view, based on the description of the document AVC00026319 is also subject to settlement privilege.

Document AVC00014475 and attachments

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[31] Various Schroeder entities ad buyout funds were offeree shareholders

[74] According to the affidavit of Stephanie Cousins, this is an e-mail exchange between Elisabeth Preston and U.S. counsel in the context of seeking legal advice in relation to an "assist audit" which was then taking place. The assist audit is relevant in the litigation because it commenced prior to closing and one of the specific pleadings has to do with alleged failure to disclose "what this request signified or how this request amounted to a significant contingent liability of MES".

[75] It is also pleaded that the former managers had retained U.S. legal counsel and a U.S. consulting firm to advise them on how to avoid possible liability under the Federal Acquisition Regulations. The managers are accused of concealing this information and failing to disclose how serious the potential exposure would be. This allegation is disputed. The offeree shareholders state that Med-Eng advised of the audit and responded as required under the U.S. legislation. I would imagine that to prove that allegation there will have to be evidence about the effect of U.S. legislation provided by an American legal expert.

[76] The communication for the purpose of obtaining legal advice in 2008 is *prima facie* subject to client lawyer privilege. While the seriousness of the assist audit and whether or not the Med-Eng response to the audit in 2007 is in issue, the legal advice obtained in 2008 has not been specifically brought into play. But it may happen.

[77] Accordingly I do not rule out the possibility that the advice of U.S. counsel will subsequently be brought into issue. Failure to mitigate is an issue and presumably there will have to be evidence about the ultimate outcome of the audit, whether it in fact resulted in liability to AVTI and whether anything Med-Eng did prior to closing or Allen-Vanguard or AVTI did after closing could have changed the outcome. I was not however directed to anything in the evidence that indicates waiver of this privilege at this point in time.

[78] The issue may be revisited in future. For the moment I uphold the privilege though I suggest that Allen-Vanguard consider carefully whether it is wise to assert it. By doing so they will have to undertake not to call American counsel as an expert at trial and by asserting privilege cannot call him or her as a fact witness either.

[79] I am not able to determine from the evidence before me whether the attachments are also subject to privilege. This will depend on whether or not they are documents prepared for the purpose of obtaining legal advice or are relevant documents that exist independently which were sent to counsel to obtain that advice. In that case the original of the attachments would not itself be privileged and must be produced.

[80] I will inspect the attachments and provide further direction unless of course that general direction is sufficient. Mr. Lederman is to provide me with a copy of the document and the attachments for further review.

Documents AVC00047336 & AVC00027074

[81] These documents are partially redacted e-mail chains. Apparently there are inadvertently unredacted portions which contain legal advice given by Ms. Preston. If that is the case then those portions containing legal advice are protected by solicitor client privilege.

[82] At this point in time it does not appear there is a waiver of privilege over advice given to Mr. Timmis or advice given to Allen-Vanguard concerning the dispute with GDATP. Of course that dispute itself may be relevant because it is one of the things that went wrong and it is pleaded as one of the misrepresentations. Again careful thought will be required as to whether any of this information will be required at trial.

[83] As with the documents above, this advice may subsequently become relevant and subject to a deemed waiver of privilege. For the moment however I uphold the privilege.

Document AVC00039574 & AVD00039575

[84] This is said to be a document sent by Rob Ryan, the former CFO of Allen-Vanguard to assemble information for the purpose of this claim. If that is accurate then it is a document collecting information with the predominant purpose of litigation. It may be protected by litigation privilege.

[85] Attached to this document is document AVC00039575. This is described as a financial analysis. It is not clear whether or not the financial analysis was itself prepared for the use of counsel or to instruct counsel in the litigation. If the financial analysis was itself prepared for any other purpose then it would not be privileged. Ms. Cousins affidavit states that the analysis is specifically "directed at the litigation". She also deposes that Rob Ryan was specifically engaged by AVC to assist it with this litigation. Providing this means that he was engaged to assist with gathering the information to be used by counsel or to instruct counsel, this type of communication would be covered by litigation privilege. It is not enough for employees to have discussions in contemplation of litigation unless they are part of the chain of gathering information for the purpose of counsel conducting the litigation.

[86] It is important to remember that the purpose of litigation privilege is to permit counsel a zone of privacy in strategizing and preparing for the litigation. Accordingly it is not the evidence gathered that is privileged. It is the process of gathering the evidence, communication about the case, work product of the lawyer and information that would reveal what avenues the lawyer and client have been exploring that is within the zone of privacy. I require additional information to confirm that the financial analysis was itself prepared for the dominant purpose of the litigation as that phrase is understood.

[87] The following table summarizes my findings.

Document Number	Description	Disposition
AVC00023109 *	KPMG Project Superman Due Diligence Assistance Draft, September 7, 2007	This document is not privileged and will remain in Schedule A
AVC00026667 *	Portion of e-mail chain said to contain communication from Canadian counsel for purpose of providing legal advice	This document is not privileged and will remain in Schedule A
OS0000345	Draft Statement of Claim provided by AVC for discussion of potential settlement	This document is covered by settlement discussion privilege
AVC00026319	Oct., 2008 e-mail exchange between David Luxton, AVC and Genuity Capital Markets in respect of potential settlement between the parties to be facilitated by Genuity	This document is covered by settlement discussion privilege
AVC00014475	Sept 19,2008 e-mail between individuals at AVC and Canadian and U.S. counsel concerning an "Assist Audit" in the U.S.	This document is privileged
AVC00014517	Attachment to AVC0014475 "Assist Audit Response & Actions"	This document is privileged
AVC00014476, AVC00014477, AVC00014479 AVC00014507	Additional attachments to AVC00014475	I will inspect these documents to determine if they are privileged.
AVC00047336	Sept 18, 2007, e-mail chain including e-mail from Paul Timmis, V.P. Med-Eng to Canadian counsel requesting legal advice. AVC wishes to redact that portion of the e-mail chain	The legal advice is privileged.
AVC00027074	AVC wishes to redact additional portions of an already redacted document. Said to be in furtherance of legal advice concerning a dispute with GDATP	The legal advice is privileged.

AVC00039574 AVC00039578	August 8, 2008 e-mail from Rob Ryan, CFO, AVC seeking information for this claim and attaching a financial analysis	The document is privileged. The financial analysis may be privileged. Further evidence is to be provided about the provenance and purpose of this document.
* These two documents were produced (sealed) as part of the motion materials		

[88] With respect to the documents over which privilege has been upheld, there arises the question of remedy. I am prepared to order those documents returned to Allen-Vanguard and to deem them struck from Schedule A or in the case of the semi redacted documents, to permit them to be substituted with more fully redacted ones. This is a discretionary remedy. I will order it on terms and the term is that there be no further suggestion that counsel has behaved improperly in not returning the documents nor that having seen the documents there arises a conflict of interest that would require counsel be removed. Otherwise I would be inclined to the view that ordering the documents returned at this stage in the litigation would be unfair with the consequence that the privilege should be deemed to have been lost.[32]

[89] I am satisfied that in the context of the large volume of documents the release of these few documents that are in fact privileged was inadvertent. It was however a considerable time later that the claim of privilege was reasserted. I am satisfied on the evidence that when this was raised, counsel for the offeree shareholders then appropriately segregated the documents to await the outcome of the motion. I do not accept that the claims of privilege were so self evident that it was improper for counsel for the offeree shareholders not to have realized it immediately.

[90] There should be no suggestion of a sanction against the offeree shareholders for receiving the privileged documents and notwithstanding the importance to be ascribed to privilege generally I am also of the view that any prejudice to Allen-Vanguard is *de minimus*. This is precisely the opposite of the finding in *Nova Growth Corp. v. Kepinski*.[33]

The remaining documents.

[91] This brings me to the balance of the Schedule B documents. Counsel for the offeree shareholders has attempted to group the documents into categories and has done a great deal of work to do so. It is nevertheless a fruitless task for me to try to rule on

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[32] *Spiral Aviation Training Co. v. Canada, supra* @ para. 9
[33] [2001] O.J. NO. 5993 (S.C.J. Commercial List)

the documents by simply reviewing the descriptions or the categories. As an example all of the due diligence documents are shown as subject to solicitor client privilege. I have determined that is not proper but there may still be documents over which privilege is proper and which should be legitimately protected.

[92] Were I to take a traditional approach to this problem it would be open to me to order all of the documents produced if I was not satisfied that Allen-Vanguard had met the onus of proving privilege.[34] This however would impose on the offeree shareholders the burden of reviewing 6,000 documents and though they are willing to do so I do not consider that an appropriate response.

[93] I could inspect all of the documents. I have already indicated my view of that idea. The court should not be called upon to review thousands of documents. I could adopt an audit approach however and inspect only selected documents from each category. Perhaps I could permit each party to select a certain number of documents for inspection. The problem with that idea is that the party opposing the privilege does not usually get to see the documents and then must make submissions guessing what is in them. While this approach has merit it lacks a certain transparency that I think is important to ensure that both parties see that justice is dispensed fairly. I invite the parties to consider how sampling and auditing might be fairly conducted and I reserve the right to impose such a solution if necessary.

[94] The parties or the court could appoint an expert to inspect and review the documents and to report. Apparently this is a solution used in some jurisdictions where discovery referees or special masters are a feature of civil litigation. This may be worth considering.

[95] What I think is necessary is for the parties to do some further work to prepare this issue for more efficient adjudication. Firstly the parties should try to reach a meeting of the minds with respect to probative value and relevance.

[96] Just how is Allen-Vanguard proposing to prove fraud, misrepresentation and damages? Exactly what information will the offeree shareholders require to meet that case? Clear thinking about this should render it possible to determine how much of this dispute about production is legitimately necessary and useful.

[97] The parties should then have regard to the principles discussed in these reasons and the rulings made to date. Can they agree on categories of documents that really ought to be available at trial? It is important to remember that if privilege is claimed and upheld, the evidence cannot be used by either party.

[98] Finally, once the number of documents has been reduced, the parties must consider what process can be used to filter the documents for relevance and privilege.

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[34] *Whatman v. Seley* [2000] O.J. No. 3155 (Master)

Technological solutions should be considered as well as manual ones. Cost effectiveness, practicality and efficiency should be the touchstones. The exercise should be governed by the "3Cs" of co-operation, communication and common sense.[35] These principles of advocacy are at the very heart of effective litigation. They summarize neatly the expectations for effective discovery and production planning.

[99] I require counsel to confer regarding these matters and to reattend in person or by telephone at a case conference on a date to be set by the registrar in February of 2012. Counsel are reminded that at their request the trial date has been set for the fall of 2013 and they will be expected to develop a schedule to meet that date.

[100] I may be spoken to regarding the form of an order and as to costs should either be necessary.

Master C. MacLeod

Date: December 23, 2011

[35] *Re Bell Canada* [2003] O.J. No. 4738 (S.C.J. Commercial List) and See paragraph 5, Commercial List Practice Direction, Toronto Region.

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

affidavit of **Paul Echenberg**

sworn before me, this 24th day

of November 2013.

A Commissioner for Taking Affidavits

COURT FILE NO.: 08-43188
08-43544
08-41899
DATE: February 22, 2013

SUPERIOR COURT OF JUSTICE - ONTARIO

RE: L'ABBE et al v. ALLEN-VANGUARD CORPORATION et al
ALLEN-VANGUARD CORPORATION v. L'ABBE et al
TIMMIS v. ALLEN-VANGUARD CORPORATION et al

BEFORE: MASTER MACLEOD

ENDORSEMENT (at Case Conference)

[1] This case conference was to address a number of issues.

[2] Dealing firstly with the suggestion that there is an error in the order recently settled in relation to the privilege motion, it is suggested there is an error in that order in relation to the return of the draft statement of claim. This point was mentioned in the recent motion regarding pleading amendments only to advise me that this point would be raised at the case conference. It was not as such an issue on the pleadings amendment motion though I am and was aware that there was a draft statement of claim as part of an offer to settle and the draft may be materially different from the statement of claim as ultimately issued.

[3] There is no agreement that the return of the draft statement of claim was an error and indeed that point was argued whether or not it was specifically referred to in the notice of motion. There is no consent to variation of the order.

[4] It does appear that the document number is in error and of course that should be corrected. The parties should confer to determine the correct "Bates Number" and the order may be amended if necessary. The offeree shareholders indicate they may bring a motion to vary the order which they are of course entitled to do. Alternatively they may appeal.

[5] The second issue is the question of further documentary production and discovery. It is entirely possible that the recent pleading amendments will render drafting of the SPA or other transactional documents relevant and it is certainly likely there will be a sharper focus on the documents dealing with damages in excess of $40 million.

[6] It would be helpful for the parties to have a mutual understanding about what discovery is necessary to complete the primary discovery of Mr. Luxton, what discovery is necessary to follow up on undertakings and what additional discovery is necessary because of the pleading amendments.

[7] It is clear from the discussion today that there remains considerable potential for documentary disputes. Given the impact this may have on judicial resources and the costs and time that may be involved in numerous motions, I do not rule out the possibility of appointing a neutral third party discovery monitor.

[8] Allen Vanguard has consented to Mr. Timmis participating in the mediation.

[9] I am advised by counsel for Mr. Timmis that it may not be possible to complete the discovery of Mr. Luxton by the end of April and an extension of time may be necessary.

[10] **The Court therefore orders as follows:**

a. Allen Vanguard is to complete its review of the scope of production in response to the pleading amendments by the same April 30th deadline.

b. The offeree shareholders are to consider how they intend to respond to the pleading amendment order and what if any additional steps they may be required to take and to address this at the next case conference.

c. The parties are to consolidate all of the supplementary affidavits of documents into revised affidavits of documents (with modifications as agreed between the parties to accommodate the electronic spreadsheets) by April 30th.

d. Allen Vanguard is to answer the remaining outstanding undertakings by April 15th, 2013 and if any undertaking cannot be answered to advise the other party of the status of the undertaking and what the impediment is and when it will be answered.

e. The deadline for producing the Allen Vanguard expert report is extended to March 15th, 2013.

Master Calum MacLeod

Date: February 22, 2013

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

affidavit of **Paul Echenberg**

sworn before me, this 24th day

of November 2013.

A Commissioner for Taking Affidavits

Calina Ritchie

From: Chris Hutchison
Sent: March-11-13 10:14 AM
To: Calina Ritchie
Cc: Ellie Cote
Subject: FW: mediation

Chris Hutchison
Cavanagh LLP/s.r.l
Tel.: 613.780.2013 (direct) | Fax: 613.569.8668
www.cavanagh.ca

From: Ronald G. Slaght [mailto:rslaght@litigate.com]
Sent: March-11-13 10:13 AM
To: Thomas G. Conway; Chris Hutchison
Cc: Eli Lederman; Ian MacLeod
Subject: mediation

Guys As a practical matter ,this mediation is now premature ,and we should adjourn to avoid cancellation issues . R

Ronald G. Slaght
T 416-865-2929
F 416-865-9010
rslaght@litigate.com

Lenczner Slaght
130 Adelaide St W
Suite 2600
Toronto, ON
Canada M5H 3P5
www.litigate.com

This is Exhibit "**BB**" referred to in the affidavit of **Paul Echenberg** sworn before me, this 24th day of November 2013.

A Commissioner for Taking Affidavits

From: Thomas G. Conway
Sent: March-25-13 7:44 PM
To: Ronald G. Slaght
Cc: Eli Lederman; Ian MacLeod; Chris Hutchison; Calina Ritchie; arubinoff@perlaw.ca; Joël M Dubois (JDubois@perlaw.ca); Ellie Cote
Subject: RE: mediation

Ron,

We have received instructions to consent to Allen-Vanguard's request that the mediation scheduled for April 8 be cancelled.

Regards,

Tom

Thomas G. Conway
Cavanagh LLP/s.r.l
Tel.: 613.780.2011 (direct) | Fax: 613.569.8668
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http://twitter.com/ThomasGConway
http://www.lawsocietygazette.ca/treasurers-blog

From: Ronald G. Slaght [mailto:rslaght@litigate.com]
Sent: Monday, March 11, 2013 10:13 AM
To: Thomas G. Conway; Chris Hutchison
Cc: Eli Lederman; Ian MacLeod
Subject: mediation

Guys As a practical matter ,this mediation is now premature ,and we should adjourn to avoid cancellation issues . R

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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**")

AFFIDAVIT OF DOREEN NAVARRO

I, Doreen Navarro, of the City of Ottawa, MAKE OATH AND SAY:

1. I am legal assistant/law clerk at the law firm of Cavanagh LLP, counsel for the plaintiffs in *Richard L'Abbé et al. v. Allen-Vanguard Corporation et al.*, Ontario Superior Court File No. 08-CV-43188, commenced at Ottawa, and counsel for the defendants in *Allen-Vanguard Corporation v. Richard L'Abbé et al.*, Ontario Superior Court File No. 08-CV-43544 (the "Allen-Vanguard Action"), also commenced at Ottawa.

2. Attached at Exhibit "A" is a copy of the Notice of Application filed by Allen-Vanguard Corporation in Court File No. CV-09-00008502-00CL.

3. Attached at Exhibit "B" is a copy of the affidavit of David E. Luxton, sworn December 8, 2009 (without exhibits).

4. Attached at Exhibit "C" is an excerpt from the June 30, 2009 financial statements attached as Exhibit "B" to the Affidavit of David E. Luxton sworn December 8, 2009.

5. Attached at Exhibit "D" is a copy of the affidavit of Barry Goldberg, sworn December 8, 2009.

6. Attached at Exhibit "E" is a copy of the affidavit of Glenn Sauntry, sworn December 8, 2009 (without exhibits).

7. Attached at Exhibit "F" is the First Report of the Proposed Monitor, dated December 8, 2009.

8. Attached as Exhibit "G" is the Plan of Arrangement and Reorganization concerning, affecting and involving Allen-Vanguard Corporation dated December 9, 2009.

9. Attached as Exhibit "H" is the Initial Order dated December 9, 2009.

10. Attached as Exhibit "I" is the Second Report of the Monitor dated December 10, 2009.

11. Attached as Exhibit "J" is the Sanction Order dated December 16, 2009.

SWORN before me at the City of Ottawa,)
in the Province of Ontario, this 26th day)
of November, 2013.)
)

Doreen Navarro

A Commissioner for taking baths

This is Exhibit "**A**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No.: CV-09-00008502-00CL

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.C. 1990, c. B.16, AS AMENDED

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A **LEGAL PROCEEDING HAS BEEN COMMENCED** by the Applicant, Allen-Vanguard Corporation (the "**Applicant**"). The claim made by the Applicant appears on the following pages.

THIS APPLICATION will come on for a hearing on December 9, 2009, at 10:00 a.m. or as soon after that time as the matter may be heard at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with the documents in the application, you or an Ontario lawyer acting for you must prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyers or, where the Applicant does not have lawyers, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you and your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyers or, where the Applicant does not have lawyers, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than two (2) days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LEGAL AID OFFICE.

Date: December 9, 2009

Issued by Laura Starck

Address of Court Office:
330 University Avenue, 10th Floor
Toronto, Ontario
M5G 1E6

TO: **GOODMANS LLP**
2400-250 Yonge Street
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Lawyers for the Monitor, Deloitte & Touche Inc.

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Lawyers for the Directors

APPLICATION

1. The Applicant, Allen-Vanguard Corporation, makes an application for:

   (a) an Order, if necessary, abridging the time for, validating the manner of, and/or dispensing with service of this notice of application and the application record;

   (b) an Initial Order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), on substantially the terms set out in the form of Order attached at Tab 5 of the within application record; and

   (c) such further and other relief as this Honourable Court may deem just.

2. The grounds for the application are:

   (a) the Applicant is insolvent and has debts exceeding $5 million;

   (b) the Applicant has assets in Ontario and carries on business in Ontario;

   (c) the Applicant is a "debtor company" amalgamated under the *Ontario Business Corporations Act*, R.S.O. 1990, c. B.16, as amended (the "**OBCA**") to which the CCAA applies;

   (d) the Applicant intends to attempt a restructuring of its business and effect a plan of arrangement and reorganization as outlined in the affidavit of David E. Luxton;

   (e) the contemplated restructuring of the Applicant's business will allow the Applicant to continue to carry on business, without adversely affecting unsecured creditors, employees and certain other economic stakeholders;

   (f) the protection sought by the Applicant will provide the Applicant with an orderly and effective forum within which to present and pursue its contemplated restructuring;

   (g) the Applicant seeks to appoint Deloitte & Touche Inc. as monitor (the "**Monitor**") pursuant to the CCAA and Deloitte & Touche Inc. has agreed to act as Monitor;

   (h) the circumstances that exist make the Order sought by the Applicant appropriate;

(i) such other grounds as set out in the affidavit of David E. Luxton;

(j) Rules 2.03, 3.02 and 14.05(2) of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended;

(k) the provisions of the CCAA and this Honourable Court's equitable and statutory jurisdiction thereunder;

(l) section 186 of the OBCA; and

(m) such further and other grounds as counsel may advise and this Honourable Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) The affidavit of David E. Luxton;

(b) The affidavit of Barry Goldberg, Genuity Capital Markets;

(c) The affidavit of Glenn Sauntry, BMO Nesbitt Burns Inc.;

(d) The First Report of the Proposed Monitor;

(e) The consent of Deloitte & Touche Inc. to act as Monitor; and

(f) Such further and other materials as counsel may advise and this Honourable Court may permit.

Date: December 9, 2009

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Barristers & Solicitors
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Alex Ilchenko
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Lawyers for the Applicant

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

Court File No.
CV-09-8502-60CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

NOTICE OF APPLICATION

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Lawyers for the Applicant

This is Exhibit "**B**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No.

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

AFFIDAVIT OF DAVID E. LUXTON

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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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

AFFIDAVIT OF DAVID E. LUXTON

I, David E. Luxton, of the City of Ottawa, in the Province of Ontario, **MAKE OATH AND SAY:**

I. INTRODUCTION

1. I am the President, Chief Executive Officer and a director of the Applicant, Allen-Vanguard Corporation (the "**Applicant**", "**Allen-Vanguard**" or the "**Company**"). I have been the President of Allen-Vanguard since December 22, 2005, the Chief Executive Officer since April 27, 2006, and I have also served in both of such capacities between September 2003 and January 2005, and have also been a director since November 18, 2003. As such I have personal knowledge of the matters to which I hereinafter depose, except where my knowledge is based on information and belief, in which case I believe such information to be true.

2. To the extent necessary, I have reviewed Allen-Vanguard's corporate records and have spoken with other representatives of Allen-Vanguard, representatives of Allen-Vanguard's financial advisor Genuity Capital Markets ("**Genuity**"), representatives of Allen-Vanguard's senior secured lenders (the "**Secured Lenders**") and representatives of Contego AV Investments, LLC (the "**Plan Sponsor**") to fully inform myself as to the contents of this affidavit. I verily believe that the information I have received in that regard is true.

3. All amounts in this affidavit, unless otherwise indicated, are expressed in Canadian dollars.

4. This affidavit is filed in support of the Company's application for relief pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-43, as amended (the "CCAA") in order to allow the Company to file a Plan of Arrangement and Reorganization (the "**Plan**") that will (i) compromise the Secured Lenders' significant claims against the Company, (ii) provide for much needed financing and investment from the Plan Sponsor to the Company, and (iii) allow the Company to continue as a going concern. The Plan is the culmination of an approximately 18-month long process and effort by the Company and its advisors to secure a refinancing solution for the Company, its business and its economic stakeholders.

5. The Plan that has emerged from this process was negotiated by the Company, the Secured Lenders, the Plan Sponsor, and their respective financial and legal advisors, over a period of many months of intense negotiations, in the face of the Company's various

defaults under its senior secured lending facilities, including its failure to pay any principal since June 30, 2008. During these negotiations, the Company, the Secured Lenders and the Plan Sponsor entered into a binding transaction agreement dated September 12, 2009 (the "**Transaction Agreement**") setting out the principal terms of the proposed restructuring of the Company, which are now reflected in the Plan and its accompanying restructuring documents (the "**Transaction**"). A copy of the Transaction Agreement, was publicly filed on the public System for Electronic Document Analysis and Retrieval (SEDAR) on September 22, 2009 (as redacted in accordance with applicable securities laws) and is attached as **Exhibit "A"**. A copy of the Plan is attached to the Applicant's Motion Record for the relief outlined in the proposed "Plan Filing and Meeting Order" at Tab 2.

6. Pursuant to the Plan, Allen-Vanguard will emerge as a recapitalized company able to continue its business as a going concern in a manner that best preserves value for the Company's economic stakeholders. The Plan contemplates (i) a significant deleveraging of Allen-Vanguard's balance sheet through a comprehensive compromise and restructuring of the Company's first-ranking, senior secured indebtedness owed to the Secured Lenders, in part through funding to be made available by the Plan Sponsor; (ii) enhanced liquidity for Allen-Vanguard, through further funding to be made available by the Plan Sponsor and the Secured Lenders; (iii) no impact on the Company's general unsecured creditors, including trade creditors and employees, so as to best preserve the business as a going concern for its economic stakeholders and employees; and (iv) a cancellation or transfer of the existing securities of Allen-Vanguard such that the Plan

Sponsor (or its nominee) will become the new owner of the Company in exchange for its significant investment into the Company under the terms of the recapitalization and the Plan.

7. As will be described further below, the Company believes it is necessary, appropriate and in the best interests of its economic stakeholders to apply to this Honourable Court for relief pursuant to the CCAA and to seek, among other things, this Court's sanction and approval of the Plan and the restructuring contemplated thereby. The Company is insolvent and will not be able to continue as a going concern without the recapitalization embodied in the proposed Plan.

II. BACKGROUND TO THE ALLEN-VANGUARD COMPANIES

A. Business Operations

(i) Generally

8. Allen-Vanguard is a public company which, until October 21, 2009, was listed on the Toronto Stock Exchange (TSX: VRS). Its registered office is located in Ottawa, Ontario and it conducts business and has assets throughout Ontario and, through its subsidiaries, abroad.

B. Overview

9. Allen-Vanguard develops and markets technologies, tools and training for defeating and minimizing the effects of improvised explosive devices ("**IEDs**") and other hazardous chemical, biological, radiological, nuclear or explosive ("**CBRNE**") devices and materials. Allen-Vanguard's equipment is used by security and military forces in

approximately 120 countries around the world, including Afghanistan and Iraq. As a result of operating in the national security, defence and military industries, Allen-Vanguard is subject to a myriad of regulatory and national security controls, and retaining the confidence of its customers (both in terms of quality and certainty of supply) is a critical factor to the viability of Allen-Vanguard's business.

10. Allen-Vanguard operates in three principal business segments:

(i) electronic systems ("**ES**") consisting primarily of electronic counter-measures ("**ECM**") or "jammers" which prevent the detonation of remotely controlled IEDs;

(ii) personal protection systems ("**PPS**"), which includes bomb disposal and chem-bio suit ensembles, body armour, remote intervention robots and other search and disposal specialty equipment for Explosive Ordnance Disposal ("**EOD**"), and blast mitigation and decontamination equipment; and

(iii) various services, including counter-IED intelligence, training and advisory services.

A fourth business segment includes other ancillary items.

11. The primary markets for Allen-Vanguard's equipment and services are:

(i) the military market, where Allen-Vanguard's products are used in areas of conflict around the world; and

(ii) the emergency preparedness and response market.

In both markets, Allen-Vanguard's equipment and services are used by personnel who must prepare for and respond to the contingency of an incident involving IEDs, or devices that may contain chemical, biological or radiological agents.

12. Of particular importance to Allen-Vanguard's recent revenue base are its ES supply agreements with Lockheed Martin Corporation ("**Lockheed Martin**") and General Dynamics Armament and Technical Products ("**General Dynamics**"). These contracts represent approximately 35% of Allen-Vanguard's 2009 annual revenue. The maintenance of Allen-Vanguard's relationships with these types of clients, particularly with Lockheed Martin, are of critical importance to the long-term prospects and growth of Allen-Vanguard's business.

13. Approximately 69% of Allen-Vanguard's sales revenues are generated by its operations in Ontario, 23.6% by its operations in the UK and 7.4% by its operations in the United States.

(ii) Employees

14. As detailed below in Section "C"- "Corporate Structure", and as depicted on the corporate structure chart attached as **Exhibit "C"**, Allen-Vanguard is the parent company of a number of subsidiaries (collectively, the "**AV Companies**") currently having a total of approximately 543 employees worldwide and 306 employees in Canada (including employees on leaves of absence). Allen-Vanguard engages ADP and certain of its

affiliates in Canada, the United States and the UK to process its payroll payments and associated deductions.

15. Allen-Vanguard, AVTI (as defined below in Section "C" -"Corporate Structure") and AVI (as defined below in Section "C"-"Corporate Structure") pay their respective employees on a bi-weekly basis. The bi-weekly payroll obligations of Allen-Vanguard are approximately $510,000, inclusive of all employee and employer-related remittances. The bi-weekly payroll obligations of AVTI are approximately $470,000, inclusive of all employee and employer-related remittances. The bi-weekly payroll obligations of AVI are approximately US$70,000, plus AUD$5,000, inclusive of all employee and employer-related remittances.

16. AVL (as defined below in Section "C"- "Corporate Structure") and HMSL (as defined below in Section "C"-"Corporate Structure") pay their respective employees on a monthly basis. The payroll obligations of AVL each month are approximately £320,000 UK Pounds Sterling, inclusive of all employee and employer-related remittances. The payroll obligations of HMSL each month are approximately £240,000 UK Pounds Sterling, inclusive of all employee and employer-related remittances.

17. HMSI (as defined below in Section "C"-"Corporate Structure") pays certain of its employees on a bi-weekly basis and certain of its employees on a monthly basis. The bi-weekly payment amount fluctuates relative to direct labour costs associated with individual contracts. The average bi-weekly payroll obligations of HMSI in respect of those employees paid on a bi-weekly basis are approximately US$240,000, inclusive of

all employee and employer-related remittances. In addition, the monthly payroll obligations of HMSI in respect of those employees paid on a monthly basis are approximately US$100,000, inclusive of all employee and employer-related remittances.

(iii) Key Assets

18. Allen-Vanguard operates globally through its wholly-owned subsidiaries (described below) and under the brands **"Allen-Vanguard"**, **"Med-Eng"**, **"HMS"** and **"Hazard Management Solutions"**. Allen-Vanguard's principal assets are its 100% ownership of these subsidiaries.

19. Allen-Vanguard has developed and relies on long-standing and valuable business relationships with suppliers, channel distribution partners and clients, such as Lockheed Martin and General Dynamics, who, in turn, rely on Allen-Vanguard's timely implementation of its obligations under these business relationships, particularly in relation to its partners in the defence marketplace.

20. Allen-Vanguard's other key assets are inventory on hand that has been manufactured by Allen-Vanguard and its subsidiaries, and forward contracts placed but not yet fulfilled. Through acquisition, license and internal development, Allen-Vanguard has also assembled a body of relevant intellectual property, which is protected through trade secrecy practices, patents, industrial designs, trademarks and other security measures.

21. It is essential to the preservation of Allen-Vanguard's business relationships that any restructuring be implemented and completed swiftly in order to avoid disruption of Allen-Vanguard's ability to fulfill its obligations to all of the abovementioned parties,

particularly with respect to the ES supply agreements with Lockheed Martin and General Dynamics.

(iv) Key Liabilities

22. As at June 30, 2009, and as detailed in Section D, "Capital Structure" and paragraphs 125, 126 and 127 below, Allen-Vanguard owed to the Secured Lenders the principal amount of US$199,174,639 (excluding accrued fees, accrued interest and other charges) and had approximately $91,357,000 in unsecured liabilities, including $26,589,738 owing to trade creditors. As set out in the unaudited financial statements as of June 30, 2009 (the "**June 30 Financial Statements**"), the Applicant's liabilities significantly exceed the value of its assets. The June 30 Financial Statements are attached as **Exhibit "B"**, along with copies of all of the financial statements of Allen-Vanguard prepared during the year prior to the date of this application under the CCAA.

C. Corporate Structure

23. Allen-Vanguard is amalgamated under the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended, (the "**OBCA**"). The corporate structure of the AV Companies is depicted in the corporate structure chart attached as **Exhibit "C"**.

(i) Canadian Operations

24. Allen-Vanguard is the ultimate parent company for all of the AV Companies. It is located in the head office premises of the AV Companies at 2400 St. Laurent Boulevard, Ottawa, Ontario (the "**Head Office**").

25. In addition to the Head Office, Allen-Vanguard's subsidiary, Allen-Vanguard Technologies Inc. ("AVTI"), operates corporate offices, research and development, logistics and warehousing facilities in Ottawa and Pembroke, Ontario.

26. AVTI also manufactures CBRNE equipment and electronic counter measures equipment at five locations in Ontario, including three manufacturing facilities located in Ottawa and Pembroke, Ontario.

27. All of these locations operated by Allen-Vanguard and AVTI are leased.

28. Allen-Vanguard and AVTI employ approximately 303 workers in Ontario, as well as 2 employees residing in Alberta and one employee residing in British Columbia. Allen-Vanguard also employs 2 sales employees in Australia. At present, except as noted below, all of these employees are working. Approximately, 80% of the employees in Ontario are salaried, and the remaining 20% are hourly employees. None of the employees in Ontario are unionized.

29. Of the 306 Canadian employees referred to in the above paragraph, Allen-Vanguard and AVTI employ 7 workers in Ontario who are currently on leaves of absence.

30. There are no pension plans for either Allen-Vanguard's or AVTI's employees.

31. Allen-Vanguard's books and records, including accounting books and records for its subsidiaries, are located at the Head Office. From the Head Office, Allen-Vanguard performs or controls most of the administrative functions for the AV Companies, including sales, engineering, accounting, record-keeping, financial reporting, budgeting,

banking, cash management, payroll, human resources, information technology, engineering and research and development. Senior management of Allen-Vanguard control the purchase and sales decision-making, and all other significant business activities for all of the subsidiaries, other than for Hazard Management Solutions, Inc. ("**HMSI**"), one of the Company's US subsidiaries, and Allen-Vanguard's UK subsidiaries, to the extent that such UK subsidiaries determine their own purchasing activities and manage their own accounts payable, with oversight from the Head Office. All of the AV Companies' management, other than that of HMSI, no matter where located, report to Allen-Vanguard's senior management in Ontario.

(ii) US Operations

32. Allen-Vanguard Inc. ("**AVI**") operates a soft goods manufacturing facility in Ogdensburg, New York. At present, 30 of AVI's employees are working at the Ogdensburg plant. 28% of the employees at the Ogdensburg plant are salaried, and the remaining 72% are hourly employees. None of the employees at the Ogdensburg plant are unionized.

33. AVI also operates a sales office in Ashburn, Virginia and has approximately 10 employees to provide sales support to the US defence market in the Virginia/Washington, D.C., area. At present, all 10 employees working out of the Ashburn office are working. All of the employees working out of the Ashburn office are salaried. None of the employees working out of the Ashburn office are unionized.

34. HMSI operates a sales office in Arlington, Virginia. This office has 45 employees (many of whom are posted overseas in theatre) who service the US defence and security market for HMSI's products (which are specialized training and other related services, many of which are classed in the US as "Top Secret"). All 45 of HMSI's employees are presently working. All 45 of HMSI's employees are salaried. None of HMSI's employees are unionized.

35. There is no pension plan for either AVI's or HMSI's employees.

36. The AV Companies lease all of their premises located in the US.

(iii) United Kingdom Operations

37. Allen-Vanguard Limited ("**AVL**") operates a head office and manufacturing facility for remotely operated bomb disposal vehicles and ECM and EOD equipment in Tewkesbury, England. These premises are leased.

38. In total, Allen-Vanguard has approximately 150 employees in the UK, of which 105 are employed by AVL at the Tewkesbury facility, and 45 are employed by Hazard Management Solutions Limited ("**HMSL**") at its offices in Shrivenham, England.

39. At present, all 105 of AVL's employees are working. All of AVL's employees are salaried. None of AVL's employees are unionized.

40. HMSL operates corporate offices, provides research, analysis and business development services, as well as Systems and Services operations at its offices in Shrivenham, England.

41. Forty-five employees are employed by HMSL at the Shrivenham offices.

42. At present, all 45 of HMSL's employees are working. All of HMSL's employees are salaried. None of HMSL's employees are unionized.

43. AVL and HMSL each maintain a pension plan in the UK for their employees.

(iv) Irish Operations

44. Allen-Vanguard (Ireland) Limited ("**AV Ireland**") formerly operated a manufacturing facility in Cork, Ireland to manufacture remotely operated bomb disposal vehicles. This location was also leased. AV Ireland no longer operates such a facility and the Company intends to dissolve AV Ireland.

D. Capital Structure

45. As of today, the principal amount of Allen-Vanguard's funded debt obligations, including revolving loans, term loans, secured and unsecured notes and capital leases, but excluding other unsecured debt (collectively, the "**Debt Obligations**") is US$207,774,639.36, (which amount does not include accrued fees currently owing to the Secured Lenders in the amount of approximately $6,800,000 (the "**Accrued Fees**") and accrued interest currently owing to the Secured Lenders of approximately US$5,826,000 (the "**Accrued Interest**")). The Company's Debt Obligations are summarized on **Exhibit "D"** hereto, and are further described in section "E" below.

46. Allen-Vanguard had incurred a variety of Debt Obligations during the course of various acquisitions and equity financings since 2004. Only those Debt Obligations outlined on Exhibit "D" remain outstanding.

47. Amongst the most significant of these prior acquisitions and equity financings occurred on September 17, 2007, when Allen-Vanguard acquired all of the issued and outstanding common shares of Med-Eng Systems Inc. ("**Med-Eng**"), a privately held company incorporated under the laws of Ontario, for cash consideration of $622,630,000 plus acquisition costs of $10,899,000.

48. Med-Eng was a supplier of force protection and EOD products for military, homeland security and law enforcement organizations. Med-Eng was the leading global supplier of bomb disposal suits and helmets, and was an important supplier of ECM equipment to the US military through General Dynamics Armament and Technical Products, and to the Canadian and Australian military forces.

49. Financing for the Med-Eng acquisition was obtained from the following sources:

(a) Private Placement - private placement of an aggregate of 14,650,000 subscription receipts at a subscription price of $6.85 per subscription receipt for total net proceeds from the offering of $94,206,000 which ultimately resulted in the issuance of 14,650,000 common shares of Allen-Vanguard;

(b) Senior Debt – a senior debt agreement (the "**Med-Eng Senior Debt Agreement**") pursuant to which Allen-Vanguard was provided with (i)

US$341,500,000 of five year term debt financing, which was fully drawn on the closing date of the Med-Eng acquisition (the "**Med-Eng Term Debt**") and (ii) a $20,000,000 revolving line of credit, of which $10,000,000 was drawn on the closing date of the Med-Eng acquisition (the "**Med-Eng Revolver**"). The Med-Eng Senior Debt Agreement was secured by a first charge on the assets of Allen-Vanguard and its subsidiaries;

(c) Subordinated Debt - the vendors of Med-Eng agreed to provide subordinated debt in the amount of approximately $190,600,000 to fund the balance of the purchase price (the "**Med-Eng Subordinated Debt**"). Allen-Vanguard arranged for a consortium of lenders (the "**Subordinated Debt Consortium**") to commit to purchase $150,000,000 of the Med-Eng Subordinated Debt on October 1, 2007, pending completion of an equity offering by Allen-Vanguard; and

(d) Prospectus Offering - on September 21, 2007, Allen-Vanguard issued, by way of short-form prospectus, 31,580,000 common shares at a price of $9.50 per common share for gross proceeds of approximately $300,010,000, and qualified the distribution of 3,575,100 Med-Eng Senior Debt Warrants. The net proceeds of the prospectus offering were approximately $283,500,000, and were used to repay in full the outstanding amounts of the Med-Eng Subordinated Debt and the Med-Eng Revolver, and a portion of the Med-Eng Term Debt.

50. On February 14, 2008, Allen-Vanguard's lenders provided a waiver for certain financial covenants at December 31, 2007 and favourably amended the financial covenants under the Med-Eng Senior Debt Agreement facility for its remaining term. In consideration for the waiver and the amendments to the covenants, Allen-Vanguard paid the lenders a fee in the amount of 4% of the committed outstanding senior debt facility, consisting of a cash payment equal to $5,040,000 and 1,167,143 common shares of Allen-Vanguard, with a fair value of $5,544,000.

(v) Equity-based Securities

51. Allen-Vanguard is a reporting issuer in all provinces and territories of Canada and, as noted, its shares were listed for trading on the TSX until October 21, 2009.

52. On September 12, 2009, Allen-Vanguard entered into the Transaction Agreement with the Secured Lenders and the Plan Sponsor.

53. On September 14, 2009, the TSX notified Allen-Vanguard by letter that it was suspending trading of Allen-Vanguard's common shares effective September 14, 2009. On September 21, 2009, the TSX notified Allen-Vanguard by letter that the Continued Listings Committee of TSX, at a hearing held on September 17, 2009, had determined to delist Allen-Vanguard's common shares at the close of market on October 21, 2009, on the basis that Allen-Vanguard no longer met the TSX's requirements for continued listing. The letter further advised that trading in Allen-Vanguard's common shares would remain suspended indefinitely.

54. At the close of market on October 21, 2009, Allen-Vanguard's common shares were delisted from the TSX.

55. As at November 16, 2009, the only outstanding and issued shares of Allen-Vanguard are 109,270,639 common shares. Also outstanding as at November 16, 2009 are:

(a) options ("**Options**") held under the terms of Allen-Vanguard's stock option plans to acquire an aggregate of 3,468,869 common shares of Allen-Vanguard, plus non-employee directors' options to acquire an aggregate of 196,000 common shares of Allen-Vanguard;

(b) restricted share units ("**RSUs**") redeemable for an aggregate of 862,085 common shares of Allen-Vanguard in accordance with the terms of Allen-Vanguard's restricted share unit plan; and

(c) warrants ("**Warrants**") entitling the various holders thereof to acquire an aggregate of 49,178,193 common shares of Allen-Vanguard in accordance with their respective terms and conditions.

E. **Secured Facilities**

56. On May 6, 2008, Allen-Vanguard entered into a credit agreement (the "**Initial Credit Agreement**") with the Royal Bank of Canada as administrative agent for a syndicate of lenders, which are the current Secured Lenders, which provided for the following commitments (collectively, the "**Initial Commitments**"):

(a) a term loan commitment in the principal amount of $200,000,000 (the "**Initial Term Loan**");

(b) a revolving credit commitment up to a maximum of $50,000,000;

(c) a documentary credit commitment up to a maximum of $10,000,000; and

(d) a swing line commitment up to a maximum of $5,000,000.

57. The Initial Term Loan was utilized by the Company, in part, to repay Allen-Vanguard's then outstanding credit facilities of in excess of US$180,000,000 under the Med-Eng Senior Debt Agreement.

58. Pursuant to the Initial Credit Agreement, the Initial Term Loan was repayable in quarterly principal payments of US$9,703,928 (the "**Initial Term Loan Payment**") with the remaining principal repayable on the maturity date of the Initial Commitments, being May 6, 2011.

59. As more particularly described below, since the Initial Credit Agreement was entered into, the Company's financial position has deteriorated which has caused it to be in default of its obligations thereunder. Among other defaults, the Company has failed to make any Initial Term Loan Payments to the Secured Lenders since June 30, 2008.

60. In order to address the Company's inability to meet its obligations pursuant to the Initial Credit Agreement, the Secured Lenders granted Allen-Vanguard a series of accommodations during the period from September 30, 2008 to December 16, 2008 that

(i) deferred the Initial Term Loan Payment due on September 30, 2008 to December 31, 2008, (ii) deferred the requirement to comply with certain financial covenants as at September 30, 2008 to December 31, 2008, and (iii) deferred payment of certain interest and fees due on December 16, 2008 to December 31, 2008, while Allen-Vanguard sought investment or refinancing alternatives (as described below).

61. As a result of the Company's continued inability to meet the deferred Initial Term Loan Payments and financial covenants compliance, the Secured Lenders and Allen-Vanguard entered into an amended and restated credit agreement (the "**Amended Credit Agreement**") on December 29, 2008 which, among other things, provided some further relief to Allen-Vanguard by amending certain financial covenants and further deferring the Initial Term Loan Payments due on September 30 and December 31, 2008 and March 31, 2009 to May 6, 2011. Under the terms of the Amended Credit Agreement, payments due on June 30, September 30 and December 31, 2009 under the Existing Term Loan (as defined below) were also reduced to US$4,851,964.

62. Pursuant to the terms of the Amended Credit Agreement, the Secured Lenders made the following credit facilities (the "**Existing Credit Facilities**") available to Allen-Vanguard:

(a) a revolving credit commitment up to US$7,600,000, with a stated maturity date of May 6, 2011;

(b) a term loan commitment in the principal amount of approximately US$185,000,000, with a stated maturity date of May 6, 2011 (the "**Existing Term Loan**");

(c) a documentary credit commitment up to $4,000,000, with a stated maturity date of May 6, 2011;

(d) an additional revolving credit commitment of up to $16,000,000, with a stated maturity date of December 31, 2009 (the "**New Facility Revolver**");

(e) an additional documentary credit commitment of up to $4,500,000, with a stated maturity date of December 31, 2010; and

(f) most recently, and solely for purposes of bridging the Company to a closing of the recapitalization contemplated by the Transaction Agreement and the Plan, an interim funding revolving credit commitment of up to $16,000,000, as more particularly described below in paragraph 91.

63. Allen-Vanguard's obligations under the Amended Credit Agreement are guaranteed by each of the AV Companies, other than PW Allen (India) Private Ltd. (the "**Loan Parties**"), and secured by a first ranking charge over all of the personal property (or moveable property, as applicable) and assets (collectively, the "**Collateral**") of the Loan Parties, including (i) stock pledges of Allen-Vanguard's direct and indirect subsidiaries, other than PW Allen (India) Private Ltd., and (ii) all contract rights, inventory, accounts, general intangibles, equity securities, deposit accounts, trademarks, trade names, other intellectual property, equipment and proceeds of the foregoing (subject to certain exceptions specified in the Amended Credit Agreement).

64. As of today, the aggregate principal amount owing pursuant to the Amended Credit Agreement, and the Existing Credit Facilities, is US$207,774,639, not including the Accrued Fees and the Accrued Interest.

65. In connection with the Amended Credit Agreement and the Existing Credit Facilities, Allen-Vanguard:

(a) issued warrants to the Secured Lenders providing the New Facility Revolver (the "**New Facility Lenders**") to acquire in the aggregate 27,092,367 common shares of Allen-Vanguard (the "**New Warrants**");

(b) agreed that if Allen-Vanguard did not complete one or more debt or equity financings (each such financing a "**Capital Raise**") and use some or all of the proceeds thereof to permanently reduce, on or prior to April 30, 2009, the aggregate indebtedness outstanding to the Secured Lenders by at least US$50,000,000 (the "**Minimum Payment**"), the New Facility Lenders would have the right to receive an additional cash payment or, at Allen-Vanguard's option prior to April 30, 2009, additional warrants (the "**SAR Replacement Warrants**") to acquire up to an additional 10% of the fully diluted common shares of Allen-Vanguard as of December 29, 2008; and

(c) agreed that if Allen-Vanguard did not complete a Capital Raise and make the US$50,000,000 Minimum Payment on or before September 30, 2009, the Lenders would have the right to convert all or part of the

amount outstanding under the Existing Term Loan into common shares of Allen-Vanguard at a price and on other terms acceptable to each of the Secured Lenders. If terms acceptable to the Secured Lenders were not agreed upon, the Existing Term Loan of US$185,000,000 would become due and payable on demand on January 31, 2010.

66. In light of the foregoing, Allen-Vanguard continued its efforts to pursue alternatives to restructure or recapitalize its business, cure the defaults and make the US$50,000,000 Minimum Payment to the Secured Lenders required by the Amended Credit Agreement.

F. Trade Creditors

67. As of June 30, 2009, Allen-Vanguard had unsecured trade debt of approximately $26,589,738 (which excludes amongst other things inter-company payables and payroll). Most of the unsecured trade creditors are vendors who provide critical inventory and services to Allen-Vanguard, and are generally essential to Allen-Vanguard's ability to continue operations. Because of the specialized nature of the industry that Allen-Vanguard is in, particularly in the military market, there are limited suppliers that can be substituted should key suppliers cease to provide the raw materials and finished goods and equipment necessary for Allen-Vanguard to manufacture its products. Accordingly, Allen-Vanguard must maintain its relationships with its current trade suppliers.

68. On December 23, 2005, Allen-Vanguard entered into a technology license and supply agreement with Lockheed Martin (the "**LM Agreement**"). Under that agreement, Allen-Vanguard granted Lockheed Martin a license to use its ECM technology and agreed to

supply certain components and provide engineering services in connection with ECM units to be sold by Lockheed Martin. The term of the LM Agreement is seven (7) years, and grants Lockheed Martin the exclusive right to sell ECM units incorporating Allen-Vanguard's components to customers located in the US, and a non-exclusive license to sell to customers located outside the US. The LM Agreement may be terminated by Lockheed Martin if certain specified events or conditions occur. Lockheed Martin's consent to the change of control contemplated by the Transaction Agreement and the Plan, and the commencement of these CCAA proceedings to give effect to those transactions, has been obtained by Allen-Vanguard.

G. **Shareholder Lawsuit**

69. On October 13, 2009, Siskinds LLP, on behalf of a single putative plaintiff, announced that they had commenced an $80,000,000 proposed class action lawsuit against Allen-Vanguard and certain of its present and former directors and officers by way of a Notice of Action (the "**Notice of Action**"). A Statement of Claim was served on the Company on November 27, 2009 (the "**Statement of Claim**"). In the Notice of Action and in the Statement of Claim the putative plaintiff alleges that, among other things, the Company and the directors and officers had made misrepresentations as to the financial health of the Company and were negligent in entering into the Med-Eng transaction (the "**Shareholder Claim**"). Copies of the Notice of Action and Statement of Claim are attached as **Exhibit "E"** hereto.

70. Although the Company and the directors and officers deny the allegations contained in the Notice of Action and the Statement of Claim, and believe that there is no merit to the

claim, this claim has caused further uncertainty and speculation among the Company's employees, customers and suppliers.

III. EVENTS LEADING TO THE CCAA FILING

71. A series of events have placed significant strain on Allen-Vanguard's ability to continue servicing its indebtedness, and ultimately led to the filing of the present Application. These events include: (a) the unprecedented downturn in the global debt markets, (b) the significant loss of a portion of its business from some of Allen-Vanguard's core customers; (c) the concurrent deterioration of Allen-Vanguard's financial performance, leading to Allen-Vanguard's default under the Amended Credit Agreement; and (d) as detailed below, Allen-Vanguard's several unsuccessful attempts to reach a binding agreement for a refinancing of the Company with any other party, other than the Plan Sponsor.

72. The Company's net loss before income taxes in the third quarter ended June 30, 2009 was $125,657,000, and for the first nine months ended June 30, 2009 was $175,937,000, as compared to losses of $49,860,000 and $98,019,000 for the third quarter of 2008 and the first nine months of 2008, respectively.

A. Downturn in the Global Markets

73. Various macroeconomic factors, including general economic conditions, political and geo-political issues have influenced the demand for Allen-Vanguard's products, including timing of orders.

74. Global macro-economic conditions and the collapse of global financial markets in 2008 and 2009 have greatly complicated the ability of Allen-Vanguard to carry on and restructure its business, particularly with regard to the search by Allen-Vanguard for alternative sources of capital investment and alternative sources of lending. The failure of the Tailwind Transaction (as described below) may have been caused by this collapse of the global financial market and the desire of market players such as hedge funds to maintain liquidity by voting to reject the Tailwind Transaction and thus to have their original investment in Tailwind returned to them in cash.

75. In addition, this global financial crisis affected the quantum and timing of the military spending of the United States and other countries, which has resulted in the reduction, deferral or delays of orders to Allen-Vanguard.

76. Demand for Allen-Vanguard's products was also negatively affected by political changes in the United States after the 2008 elections. The US military had been deferring or delaying orders prior to and following the election of the Obama Administration, in anticipation of a comprehensive review of defence priorities and spending, particularly with respect to operations in Iraq and Afghanistan, where the products produced by Allen-Vanguard are required.

B. **Loss of business from core customers**

77. In addition, the Company has encountered a number of other challenges that have had an adverse impact on its financial performance.

78. In particular, the Company has had to deal with a precipitous decline in the prospects of the Chameleon ECM program with the United States Marine Corps. (the "**USMC**"), which has negatively affected Allen-Vanguard's financial performance.

79. Chameleon is a family of ECM Systems that is deployed to defeat radio-controlled IEDs. This system consists of Mounted or Mobile Counter Measure ("**MCM**") primary units. The single largest customer for the MCM is the USMC, which purchased about 9,000 units through General Dynamics in 2006 to 2008. Although effectively deployed in force, the USMC determined that it would reduce the Chameleon fleet and replace it with a competitor's product, and a planned mid-life upgrade program for the Chameleon program did not materialize.

80. In addition, orders expected from Lockheed Martin under a second ECM program, Symphony, with the US Department of Defence for the supply of equipment to coalition and indigenous forces (i.e., Iraq and Afghanistan armies and police forces, and smaller coalition countries) have been significantly delayed. This delay has also negatively affected Allen-Vanguard's financial performance.

81. Symphony is Lockheed Martin's programmable jamming system used to defeat radio-controlled IEDs. Allen-Vanguard provides certain major components that go into the manufacture of Symphony systems. Initially fielded in 2006, there are hundreds of Symphony systems currently deployed in Iraq and Afghanistan. Due to the economic downturn described above, many coalition partners have also deferred defence expenditures, including orders for Symphony.

82. Furthermore, as information regarding Allen-Vanguard's financial difficulties became known, orders from customers deteriorated as a result of some customers' concerns about Allen-Vanguard's financial situation.

C. **Defaults in Respect of Credit Facilities**

83. As outlined herein, the Company was unable to make the required US$50,000,000 Minimum Payment by April 30, 2009 pursuant to the terms of the Amended Credit Agreement. As a result, the SAR Replacement Warrants were issued by the Company to the New Facility Lenders.

84. As a result of the Company's deteriorating financial position, it has defaulted under the terms of the Initial Credit Agreement and the Amended Credit Agreement. Since the loosening of the covenants and reduction/deferral of the Company's principal payments to the Secured Lenders under the Amended Credit Agreement, the Company has committed the following defaults:

(a) the Company was not able to make the principal payment due to the Lenders on June 30, 2009 in the amount of US$4,851,964; and

(b) the Company was unable to meet its monthly Minimum Adjusted EBITDA covenants as at May 31, 2009 or thereafter.

85. As a result of the foregoing defaults, the Company was not permitted to borrow under the New Facility Revolver without an accommodation from the New Facility Lenders. By letter agreement dated June 29, 2009, a copy of which is attached at **Exhibit "F"**, the

Secured Lenders agreed to either defer or waive the foregoing defaults on the terms and conditions outlined therein (the "**June 2009 Accommodation Agreement**"). The Secured Lenders agreed to further amend the financial covenants and loosen the funding requirements of the Amended Credit Agreement.

86. The Company has also not, until securing the proposed transaction with the Plan Sponsor, been able to locate a source for the requisite US$50,000,000 Minimum Payment to the Secured Lenders.

87. Following the June 2009 Accommodation Agreement, the Secured Lenders and the Company entered into numerous accommodation agreements whereby the Secured Lenders waived or deferred covenant defaults and permitted the Company to borrow under its revolving credit facilities notwithstanding the defaults of its obligations to the Secured Lenders under the terms of the Amended Credit Agreement. These accommodations were granted by the Secured Lenders to the Company to allow time for the Company to negotiate an acceptable recapitalization transaction with Versa Capital Management Inc., ("**Versa**"), an affiliate of the Plan Sponsor, and the sole entity to emerge from the Company's extensive efforts to secure a refinancing solution for the Company, as discussed in greater detail below.

88. Pursuant to the terms of the June, 2009 Accommodation Agreement, by letter agreement dated June 19, 2009, the Secured Lenders, with the consent of the Company, also appointed BMO Nesbitt Burns Inc. ("**Nesbitt**") as their financial advisor to consult and work with the Company and its financial advisors on a value maximization protocol in

respect of a sale or other refinancing protocol of the Company in the event that the exclusivity arrangement with Versa to negotiate a recapitalization of the Company (as detailed herein) was not successful, all as discussed in greater detail below.

89. If the Transaction Agreement was not entered into, the Company would not have been able to achieve a Capital Raise and make the US$50,000,000 Minimum Payment pursuant to the terms of the Amended Credit Agreement by September 30, 2009. If no agreement was reached with the Secured Lenders to convert a portion of the Existing Term Loan to equity, the Existing Term Loan outstanding to the Secured Lenders by the Company would have become payable on demand as at January 31, 2010. Under the terms of the Transaction Agreement with the Secured Lenders and the Plan Sponsor, unless and until the Transaction Agreement is terminated, the failure of the Company to make the required Minimum Payment does not permit the Secured Lenders to require the conversion of the term loan or the acceleration of the maturity of the term loan. The Company does not have the ability to repay the Existing Term Loan to the Secured Lenders.

90. Moreover, due to poor sales in the third quarter ended June 30, 2009 and into the fourth quarter of 2009, cash collections in the fourth quarter of 2009 were very weak. In the period starting July 1, 2009 and ending on the signing of the Transaction Agreement with the Plan Sponsor, the Company had extremely limited availability under its revolving credit facilities and limited cash reserves. Many suppliers had placed the Company on "payment in advance of shipment" terms. Immediately prior to the signing of the Transaction Agreement, the Company had fully drawn its remaining availability under its

revolving credit facilities and would have been unable to meet its trade obligations on a current basis or pay either the principal payment amount of US$9,703,928 or the interest of approximately $3,300,000 due to the Secured Lenders on September 30, 2009.

91. As detailed herein, the negotiations with Versa resulted in the execution of the Transaction Agreement with the Plan Sponsor and the Secured Lenders. As a term of the Transaction Agreement, the Secured Lenders have made available to Allen-Vanguard the equivalent US$ amount of up to $16,000,000 based on the Company's forecasted financial needs until the closing of the Transaction (the **"Interim Funding"**). The Secured Lenders have not provided any additional financing commitment in the event that the Transaction Agreement is not consummated.

E. Allen-Vanguard's Efforts To Deal With the Industry and General Economic Issues

(vi) Operational Restructuring Efforts

92. In an effort to control costs, in December 2008, Allen-Vanguard relocated its CBRNE operations from its facility in Stoney Creek, Ontario, to its facility in Ottawa, Ontario, and its remote intervention robot manufacturing operations from its facility in Cork, Ireland to its facility in Tewkesbury, England. The total estimated savings of the Stoney Creek closure, on an annual basis, is estimated to be approximately $600,000. The total estimated one-time cost to close the facility is $600,000. This initiative will also result in increased operating efficiencies, product quality, corporate control and management. The total estimated savings from the closure of the AV Ireland facility was approximately $1,900,000 per year which consisted of $1,500,000 in staff salaries with a further

$400,000 for site costs which costs are still ongoing. The total cost of the closure is estimated to be in the range of $1,000,000 to $1,300,000.

93. In August, 2009, Allen-Vanguard formalized a cost reduction plan with a target of reducing or avoiding $12,600,000 of annual operating costs for the 2010 fiscal year. In August, 2009, as part of this plan, a reduction in workforce was initiated totalling 56 employees, which reduced overall employee cost, resulting in annualized savings to Allen-Vanguard estimated at $4,500,000. The foregoing cost reduction measures occurred at a restructuring cost to Allen-Vanguard of $1,400,000. Additional cost reductions and avoidances annualized at $1,800,000 have been achieved through reductions in insurance costs and professional fees. The cost reduction plan calls for additional cost reductions of $6,300,000 throughout fiscal year 2010 in the areas of SG&A overhead costs, supply chain cost reductions and facility reductions.

94. While these operational restructuring efforts have been helpful, they have obviously not been a sufficient means of curing Allen-Vanguard's financial condition and associated defaults under its lending arrangements with the Secured Lenders.

(vii) Initial Investor Process

95. In June 2008, the Board of Directors of the Company (the "**Board**") determined that outside investment was necessary to preserve the Company and meet its obligations to the Secured Lenders and others. On June 24, 2008, Allen-Vanguard engaged RBC Capital Markets to act as financial advisor to Allen-Vanguard and assist it with the identification and evaluation of proposals for private investment in the Company.

96. RBC Capital Markets' efforts were primarily focused at looking at traditional or structured private investment in public equity ("PIPE") transactions, as well as exploration of certain potential going private transactions. Although several groups expressed an initial interest in a going private transaction, each of these groups ultimately decided that they would not be in a position to provide meaningful value to shareholders. Advanced discussions were held with one party; however, these discussions were terminated by that party on August 25, 2008.

97. During the months of July 2008 through September 2008, Allen-Vanguard and its representatives contacted approximately 30 qualified potential investors regarding financing alternatives, 21 parties executed non-disclosure agreements ("NDAs"), and 7 potential investors conducted some level of due diligence on the Company. Ultimately, however, no interested party emerged from this process. In addition, some expressions of interest were received from other potential investors during this process, although none of the proposed expressions of interest resulted in any form of binding agreement.

98. On September 18, 2008, Allen-Vanguard retained Genuity as an additional financial advisor to assist Allen-Vanguard in the effort to identify a suitable financial or strategic investment partner for Allen-Vanguard and to assist in ongoing discussions with the Secured Lenders. Genuity, together with RBC Capital Markets, continued to look at possible PIPE transactions, but also focussed on deals with a rights offering backstop, potentially in tandem with a mezzanine facility that would reduce the amount owed under the Initial Credit Agreement.

99. In addition, discussions were also held with a number of the Company's larger existing shareholders regarding the shareholders' interest in another rights offering. The shareholders who were approached generally indicated that they would only be interested in a rights offering if the Company was significantly de-leveraged and there was broad participation from all existing shareholders, or there was some guarantee of a full take-up of such rights offering. However, because there was no real interest by third parties to backstop a rights offering, the Company could not provide the shareholders with any such assurances.

100. By the end of November 2008, 99 potential investors had been approached, 39 NDAs had been executed, and 16 parties had proceeded to conduct some level of due diligence on the Company. In addition, approximately 5 potential strategic buyers (i.e. various defence contractors) were also approached about a strategic acquisition. Ultimately, as discussed further below, Tailwind Financial Inc. ("**Tailwind**") was the only party to emerge from this extensive process that had a serious interest in the Company and its refinancing.

(viii) Further Lender Accommodation and Refinancing Agreements Were Entered Into

101. As discussed herein, while Allen-Vanguard and its representatives were searching for additional investors or a refinancing solution, the Secured Lenders granted further accommodations and entered into a refinancing arrangement with the Company as a result of its various continuing covenant and payment defaults.

(ix) The Failed Tailwind Transaction

102. From October 2008 to January 2009, Allen-Vanguard and its financial and legal advisors engaged in extensive discussions with Tailwind regarding the possibility of concluding a transaction with Tailwind. On November 18, 2008, Tailwind and Allen-Vanguard entered into a non-binding letter of intent.

103. Tailwind was a special purpose acquisition company with no operations that was formed under the laws of Delaware on June 30, 2006, for the purpose of acquiring one or more businesses through a merger, capital stock exchange, asset or stock acquisition, exchangeable share transaction or other similar type of transaction. Tailwind's securities were traded on the NYSE's Alternext US (formerly, the American Stock Exchange). Tailwind completed its initial public offering effective on April 11, 2007 (the "**IPO**"), in which it raised gross proceeds of US$100,000,000. Under its constating documents, Tailwind was required to dissolve if it did not acquire a business by April 17, 2009.

104. After extensive further discussions among Allen-Vanguard, Tailwind and Genuity, on January 23, 2009, Allen-Vanguard entered into an agreement (the "**Tailwind Agreement**") with Tailwind, pursuant to which Tailwind would acquire all of Allen-Vanguard's outstanding common shares and Allen-Vanguard would become a wholly owned, indirect subsidiary of Tailwind (the "**Tailwind Arrangement**"). Pursuant to the terms of the Tailwind Arrangement:

(a) each Allen-Vanguard common share (except those held by dissenting shareholders of Allen-Vanguard) would be transferred by the holder to

Tailwind in exchange for a fraction of a share of Tailwind common stock, based on an exchange ratio set forth in the Tailwind Agreement (the "**Exchange Ratio**");

(b) all unexercised Options (as defined above in paragraph 55(a)) would be cancelled and terminated on the effective date of the Tailwind Arrangement;

(c) all of the RSUs (as defined above in paragraph 55(b)) would become redeemable, from and after the effective date of the Tailwind Arrangement, for cash or for shares of Tailwind common stock based on the fractional Exchange Ratio; and

(d) all unexercised Warrants (as defined above in paragraph 55(c)) would be exercisable, from and after the effective date of the Tailwind Arrangement, for a number of shares of Tailwind common stock based on the fractional Exchange Ratio.

105. In effect, the Tailwind Agreement valued the Allen-Vanguard shares at $0.285 per share, a premium on the then current market price.

106. It was a condition of the Tailwind Agreement that holders of less than 30% of the shares of Tailwind common stock issued pursuant to the IPO ("**IPO Shares**") would have demanded that Tailwind convert their IPO Shares into cash pursuant to the terms of Tailwind's charter documents.

107. Another condition of the Tailwind Arrangement was that Tailwind was to have at least US$70,000,000 in trust at closing. If this condition was met, Allen-Vanguard would have been able to meet its obligation under the Amended Credit Agreement to make the US$50,000,000 Minimum Payment to the Secured Lenders. If the Minimum Payment had been achieved through the Tailwind Arrangement, the Company would not have been required to issue the SAR Replacement Warrants and would have had the necessary liquidity to continue operations.

108. The Company's shareholders were ultimately given the opportunity to vote on the proposed Tailwind Arrangement and to participate in a rights offering of subscription receipts for up to $100,000,000 at a price of $0.285 per share (a premium of approximately 58% to the closing price on the TSX of Allen-Vanguard's common shares on February 10, 2009, being the date of the final rights offering prospectus). However, only 14% of the rights were taken up, guaranteeing only $14,100,000, most of which was received from one shareholder.

109. The completion of the Tailwind Arrangement was also conditional on receiving the approval of the Tailwind stockholders. On April 6, 2009, Tailwind terminated the Tailwind Agreement. Tailwind advised Allen-Vanguard that the reason for its termination of the Tailwind Agreement was that it did not believe that its stockholders would approve the Tailwind Arrangement. Pursuant to the terms of the Tailwind Agreement, any funds received from the shareholders as a result of the rights offering had to be returned to the shareholders in the event that the transaction contemplated by the Tailwind Agreement was not completed.

110. During the course of the negotiations over the Tailwind Agreement, Versa was the only other entity who emerged as having any serious interest in the Company, although not on the basis or terms of the Tailwind Agreement. After the Tailwind Agreement was terminated, the Company pursued discussions with Versa in the hopes of securing an alternative transaction.

111. By April 6, 2009, when the Tailwind Agreement was terminated, over 125 potential investors had been approached, approximately 40 NDAs had been executed, and 20 parties conducted some form of due diligence. In addition, the Company had several discussions with at least 5 large potential strategic buyers in the defence industry. As discussed, Tailwind had been the only party to emerge from that extensive process willing to enter into any form of binding agreement with the Company.

(x) The Transaction

112. Following the failure of the potential Tailwind transaction and the termination of the Tailwind Agreement, Allen-Vanguard announced that it had entered into an exclusivity agreement (the "**Exclusivity Agreement**") with Versa concerning a potential transaction to recapitalize the Company.

113. Over the many months that followed, Versa carried out extensive due diligence on the properties, assets, business and financial condition of Allen-Vanguard and the Exclusivity Agreement was extended on numerous occasions.

114. Given the level of Allen-Vanguard's outstanding debt to the Secured Lenders and the Company's defaults under the terms of the Amended Credit Agreement, any transaction

involving an investment by Versa in Allen-Vanguard would require an agreement between Versa and the Secured Lenders. The Company, Versa and the Secured Lenders engaged in extensive discussions over a six month period which resulted in Allen-Vanguard entering into the Transaction Agreement with the Plan Sponsor (an affiliate of Versa) and the Secured Lenders on September 12, 2009. Pursuant to the terms of the Transaction Agreement, Allen-Vanguard would become wholly-owned by the Plan Sponsor (or its nominee) which would fund a refinancing of the Company and its indebtedness to the Secured Lenders (the **"Transaction"**).

115. The terms of the Transaction are reflective of Allen-Vanguard's financial distress. In particular, the Secured Lenders, which have first-ranking security over all of the assets of Allen-Vanguard and its subsidiaries, have agreed to accept substantial compromises upon the completion of the Transaction, including but not limited to:

(a) permanently forego approximately US$7,150,000 of the Existing Term Loan owed to the Secured Lenders;

(b) permanently waiving approximately $6,800,000 of fees owed to the Secured Lenders;

(c) converting a significant portion of Allen-Vanguard's indebtedness under the Amended Credit Agreement into a 3.5 year restructured term loan on more favourable terms to the Company (including reduced loan amortization and interest rates and less restrictive covenants);

(d) providing a new US$30,000,000 revolving facility and a new US$10,000,000 letter of credit facility to the Company to finance its business going forward;

(e) agreeing to the cancellation, for no consideration or compensation of any kind, of all of their Warrants; and

(f) allowing the general unsecured creditors and employees of the Company to be unaffected so as to preserve the going forward potential of the Company, despite the compromises being incurred by the senior, first-ranking Secured Lenders.

116. In addition, as outlined herein, the Secured Lenders have also agreed to make the Interim Funding of $16,000,000 available to Allen-Vanguard until the closing of the Transaction.

117. Pursuant to the Plan, all equity securities of Allen-Vanguard, including common shares, Options, Warrants and RSUs will be cancelled or transferred for no consideration to the holders thereof, such that, at closing, the Plan Sponsor (or its nominee) will become the new owner of all of the outstanding shares of the Company in exchange for its significant investment into the Company, which will serve to fund the restructuring contemplated by the Transaction Agreement and the Plan.

118. Pursuant to the Transaction Agreement, the Plan Sponsor, among other things, will provide the following financial assistance to Allen-Vanguard:

(a) pay US$20,000,000 (subject to increase to up to US$25,000,000 in certain circumstances in accordance with the terms of the Transaction Agreement) to Allen-Vanguard by way of an equity contribution, US$5,000,000 of which shall be paid by Allen-Vanguard to the New Facility Lenders as a permanent reduction under the New Facility Revolver; and

(b) effect a US$54,300,000 permanent reduction of the Existing Term Loan debt owed to the Secured Lenders by assuming from the Senior Lenders an equivalent amount of their existing indebtedness and converting it to subordinated debt.

(xi) Feedback from Potential Investors

119. During the investor processes described above, the Company received some consistent concerns from potential investors, including from The Carlyle Group and others, who conducted substantial due diligence regarding any potential investment:

(a) the Company's revenue stability and outlook was uncertain, particularly since any recurring revenue was not secured;

(b) there was little ability to predict the timing of large program orders;

(c) there had been significant "misses" on quarterly forecasts in almost every quarter;

(d) there was uncertainty around the future of the United States military activities given the expected, and ultimately actual, change in the United States presidential administration;

(e) the competitive environment for ECM suggests that securing new programs and orders would be challenging; and

(f) several parties indicated that they may be prepared to explore a transaction to acquire the bank debt at a significant discount to par value, with no value to shareholders, but ultimately none (other than the Plan Sponsor) did.

120. The sales process and the feedback from shareholders and potential investors is set out in the affidavit of Barry Goldberg, Principal and Head of Financial Restructuring of Genuity (the **"Genuity Affidavit"**). Additional details and views are also set out in the affidavit of Glenn Sauntry, Vice Chair of Investment and Corporate Banking of Nesbitt(the **"Nesbitt Affidavit"**).

F. Approval of the Transaction by Allen-Vanguard's Board of Directors

121. As noted above, the Transaction Agreement is the culmination of a long process undertaken by the Company and its Board to complete a transaction that will recapitalize Allen-Vanguard and allow it to continue as a going concern so as to best preserve value for the economic stakeholders of Allen-Vanguard.

122. Throughout the period that the Transaction was considered and negotiated, the Board met regularly, sought and obtained the advice of its experienced financial and legal advisors and had a hands-on role in directing and supervising the positions taken by Allen-Vanguard. In accordance with the obligations and duties of the Board, the Board was required to consider the interests and stakeholders of Allen-Vanguard as a whole. In determining to approve the Transaction, the Board (of which I am a member) also had significant regard to:

(a) the lengthy search for alternative transactions that had been conducted by Allen-Vanguard and the unavailability of any superior (or even comparable) alternative transaction that was reasonably capable of completion;

(b) the fact that the business of Allen-Vanguard, including its relationships with customers and suppliers, was continuing to decline and was being materially negatively impacted by the uncertainty arising from Allen-Vanguard's known precarious financial state;

(c) the risk that Allen-Vanguard would have insufficient liquidity to continue to operate beyond the very short term in the absence of new committed financing which Allen-Vanguard had been unable to secure other than in the context of the Transaction; and

(d) the expectation that recoveries to economic stakeholders would be materially lower should Allen-Vanguard be forced into an insolvency process without the benefit of the Transaction.

123. Given Allen-Vanguard's financial condition, including the value of the assets and business of Allen-Vanguard and the amount of debt owing to the Secured Lenders, Allen-Vanguard, based on advice from its financial advisors, concluded that (i) there was no other superior (or even comparable) alternative or available transaction that was reasonably capable of completion; (ii) an extensive process had been conducted in search of any such other transaction; and (iii) there was no reasonably achievable scenario where the shareholders of Allen-Vanguard would receive any consideration for their common shares.

IV. ALLEN-VANGUARD'S FINANCIAL CONDITION

124. Since the announcement of the termination of the Tailwind Arrangement on April 6, 2009, the common shares of Allen-Vanguard have traded no higher than $0.17, with the volume weighted average trading price during that period being approximately $0.1259 per Allen-Vanguard share. That volume weighted average trading price implies a market capitalization for Allen-Vanguard's equity of only approximately $12,500,000, compared to the more than US$215,000,000 currently owing by Allen-Vanguard to the Secured Lenders, including the Accrued Fees and the Accrued Interest.

125. The June 30 Financial Statements reflect that, as at June 30, 2009, Allen-Vanguard owed to the Secured Lenders the principal amount of US$199,174,639 (excluding accrued fees,

accrued interest and other charges) and had a working capital deficiency of approximately $31,000,000. Given the financial circumstances, Allen-Vanguard included the following "going concern" qualification in the June 30 Financial Statements, which qualified Allen-Vanguard's ability to continue in the absence of the completion of the Transaction:

> These conditions raise uncertainty about the Company's ability to continue as a going concern in the event an investment transaction is not consummated and therefore the Company may be unable to realize on its assets and discharge its liabilities in the normal course of business.

126. Allen-Vanguard's liabilities continue to exceed the realizable value of its assets. As noted in the June 30 Financial Statements, Allen-Vanguard has liabilities, including amounts owing the Secured Lenders and to the trade creditors, of $315,037,000, and it only has assets (excluding goodwill, and intangibles) of $122,868,000 whose net realizable value is likely less than their book value. The exchange rate used with respect to the June 30 Financial Statements was US$1=$1.163.

127. Accordingly, Allen-Vanguard is insolvent on a balance sheet basis. As at June 30, 2009 Allen-Vanguard owed to the Secured Lenders the principal amount of US$199,174,639 (excluding accrued fees, accrued interest and other charges). Any liquidation of the assets of Allen-Vanguard would result in a shortfall to the Secured Lenders and nothing to the unsecured creditors of Allen-Vanguard or its shareholders.

128. In the absence of the Interim Funding which is only available until the closing of the Transaction, Allen-Vanguard would not be able to meet its obligations in the normal

course, including its supplier and payroll obligations, and would also be insolvent on that basis as well.

129. As detailed above, Allen-Vanguard is in default under the Amended Credit Agreement. Pursuant to the terms of the Transaction Agreement, the Secured Lenders have agreed that they will not take any action in respect of certain enumerated Events of Default (as defined in the Amended Credit Agreement). In the absence of this provision, the Secured Lenders are in a position to enforce their rights and remedies pursuant to the terms of the Amended Credit Agreement, including applying for the appointment of a receiver to take possession of the property, assets and undertaking of Allen-Vanguard in order to conduct a liquidation of those assets to recover the amounts owing to the Secured Lenders.

V. THE CCAA PROCEEDINGS

A. Allen-Vanguard Qualifies as a Debtor Company under the CCAA

130. As described above, (i) the Applicant is insolvent; (ii) the debts owed by Applicant far exceed $5,000,000; and (iii) the Applicant is an OBCA company resident in Ontario. I understand that in these circumstances, the Applicant qualifies for protection under the CCAA.

B. Plan of Arrangement and Reorganization

131. The only affected creditors in the Company's restructuring under the Plan are the Secured Lenders. The Secured Lenders support the completion of the Transaction which is to be effected by the Plan and have all already committed to vote in favour of the Plan under the terms of the Transaction Agreement. Because the Secured Lenders are the only

affected creditors, there is no need to provide any further disclosure regarding the Transaction Agreement or the Plan prior to the meeting to vote on the Plan.

132. The press release and the notices in respect of the sanction hearing have been designed to provide all relevant stakeholders, including shareholders, with ample notice of the proposed sanction hearing and the relief to be sought at that hearing; relief which the Company has also disclosed in the several press releases it has issued on and since the execution of the Transaction Agreement on September 12, 2009. Copies of these press releases are attached as **Exhibit "G"**.

C. Funding During Proceedings

133. As seen from the 13-week cash flows referred to below, as a result of the Interim Funding provided by the Secured Lenders, the Company will be able to fund all of its operations – and those of its subsidiaries – during the expected duration of the CCAA proceedings.

D. Employee Benefits

134. Under the terms of the Transaction Agreement and the Plan, the Secured Lenders, the Plan Sponsor and the Company have agreed that all employee benefits can and will be honoured. In addition, it is expected that there will not be any material reductions in head count during the anticipated duration of the CCAA proceedings.

E. Trade Creditors and Ordinary Course Payments

135. Similarly, under the terms of the Transaction Agreement and the Plan, the Secured Lenders, the Plan Sponsor and the Company have agreed that all trade and ordinary unsecured creditors will not be affected by the Plan.

F. Existing Equity Claims and Interests

136. All existing equity interests and equity claims will be cancelled, transferred or discharged, as the case may be, such that the Plan Sponsor will become the new owner of the Company in consideration of its approximately US$70,000,000 investment into the Company to fund the restructuring contemplated by the Plan.

G. Intercompany Transactions

137. As at September 30, 2009 the Company was paying approximately US$750,000 per month to its wholly-owned subsidiary HMSI for the performance of certain services under a subcontract, and HMSI was paying approximately US$1,500,000 per month to its parent HMSL for the performance of certain services under a separate contract (the "**Intercompany Transactions**"). These payments are expected to continue during the CCAA proceedings.

H. Central Cash Management System

138. Allen-Vanguard maintains a centralized cash management system (the "**Cash Management System**"), pursuant to which the operations and financing of the AV Companies, except for HMSI, (in this section, the "**AV Cash-Managed Companies**") are directed by the senior management of Allen-Vanguard who operate from the Head Office. The cash flow needs of the AV Cash-Managed Companies are funded on a corporate group basis, with senior management of Allen-Vanguard controlling significant receipts and disbursements. Efficiencies in borrowing, monitoring and administration of cash are accomplished through centralized purchasing of raw materials and centralized

accounts payable, most of which is directed, on behalf of the AV Cash-Managed Companies, from the Head Office (except for Allen-Vanguard's UK subsidiaries, which determine their own purchasing activities and manage their own accounts receivable, and accounts payable with oversight from the Head Office). The majority of corporate sales and marketing services, accounting, record-keeping, financial reporting, budgeting, banking, cash management, payroll, human resources, information technology, engineering, research and development and other overhead expenses are performed, incurred or paid for by Allen-Vanguard and, as appropriate, allocated among the other members of Allen-Vanguard. However, Allen-Vanguard's UK subsidiaries perform significant accounting, record-keeping, financial reporting, budgeting, banking, cash management, payroll, human resources, information technology, engineering, research and development and other overhead expenses locally at local cost.

139. Allen-Vanguard proposes to continue the Cash Management System during the restructuring. It is contemplated that the Proposed Monitor (as defined below) will monitor transfers of cash by Allen-Vanguard, to help ensure that inter-company transactions are tracked, properly accounted for and recorded.

VI. THE MONITOR AND CASH-FLOWS

140. Deloitte & Touche Inc. has consented to act as the Monitor of the Applicant (the "**Proposed Monitor**") in these CCAA Proceedings. The Proposed Monitor is well qualified to act as Monitor and the Proposed Monitor is not, and for the two preceding years, has not, acted as the auditor or accountant of the Applicant, and has gained an understanding of the Company, having provided some consulting services to the

Applicant in regard to cash management, budgeting, taxation, and financial advisory services over the past two years, in addition to assisting in the preparation of corporate tax returns and impairment analyses of goodwill and intangibles. A copy of the consent by the Proposed Monitor to act is attached as **Exhibit "H"**.

141. During the period prior to the commencement of these proceedings, while Allen-Vanguard was finalizing its negotiations with the Secured Lenders and the Plan Sponsor in connection with the Transaction Agreement, Allen-Vanguard consulted with the Proposed Monitor to ensure that the proposed restructuring met with the Proposed Monitor's approval. Allen-Vanguard's external legal counsel met with the Proposed Monitor to review the key components of the Allen-Vanguard business. In particular, the Proposed Monitor has benefited from extensive discussions with Allen-Vanguard regarding the Intercompany Transactions (as defined above) and the Cash Management System (as defined above).

142. The Proposed Monitor has reviewed the cash flow forecasts prepared by management to February 26, 2010 in respect of the Applicant (the "**Cash Flow Forecast**"). A copy of the Cash Flow Forecast and a report containing the prescribed representations regarding the preparation of the Cash Flow Forecast is attached as **Exhibit "I"**. Based on my knowledge of the Company's business and subject to the assumptions used, I believe the Cash Flow Forecast to be fair and reasonable.

143. The Proposed Monitor has also had the opportunity to discuss the various reporting obligations set out herein and in the Initial Order and to confirm that Allen-Vanguard will be capable of meeting these obligations to the Proposed Monitor's satisfaction.

VII. REQUESTED CHARGES

A. Administration Charge

144. In connection with its appointment, it is contemplated that the Proposed Monitor and its counsel will have the benefit of a Court-ordered charge (the "**Administration Charge**") over the property of the Applicants, in order to secure payment of the fees and disbursements of the Monitor and those of its legal counsel incurred at the standard rates and charges. It is contemplated that the Administration Charge shall be in an aggregate amount of $150,000. The Administration Charge will also secure the payment of the fees and disbursements of the Applicant's legal counsel.

B. Directors' and Officers' Charge

145. In order to continue to carry on business during the CCAA Proceedings and to complete and implement the Transaction, the Applicant requires the active and committed involvement of the members of its Board and its senior officers.

146. The Applicant therefore requests a Court-ordered charge in the amount of $750,000 (the "**D&O Charge**" and together with the Administration Charge, the "**Charges**") which amount represents the anticipated payroll amounts and accrued but unpaid amounts owing to employees for vacation pay over the anticipated duration of this restructuring, over the property of the Applicants in order to indemnify the directors and officers of the

Applicants in respect of any liabilities that they may incur from and after the commencement of the CCAA Proceedings in respect of the matters for which they will be indemnified under the terms of the proposed Initial Order.

147. Currently Allen-Vanguard maintains directors and officers liability insurance which provides $15,000,000 in coverage plus $15,000,000 in excess coverage for a total of $30,000,000 in coverage. Allen-Vanguard's current directors and officers liability insurance policy will expire on March 9, 2010. These policies would apply to both pre - and post-CCAA filing claims asserted against the officers and directors, including the Shareholder Claim. Attached as **Exhibit "J"** is copy of Allen-Vanguard's current directors and officers liability insurance policies.

148. As of the date of the swearing of this affidavit, Allen-Vanguard has been unable to obtain additional or replacement insurance coverage for its directors and officers to insure all of the potential claims. In the current circumstances it is unlikely that Allen-Vanguard will be able to secure adequate additional director and officer liability insurance coverage at a reasonable cost to cover all potential post-CCAA filing liabilities. Accordingly, the D&O Charge is necessary.

149. The directors and officers of Allen-Vanguard have indicated that, due to the potential significant personal liability, they cannot continue their service or involvement in this restructuring unless the Initial Order grants the D&O Charge in priority to all other charges, other than the Administration Charge, as security for the indemnification obligations of the Company for the potential liabilities imposed upon the directors and

officers of the Company. Allen-Vanguard believes that the D&O Charge is fair and reasonable in the circumstances. As set out below, the secured creditors who will likely be affected by the Charges have received notice of and consented to the proposed amount and priorities for the Charges.

150. The Transaction Agreement contemplated that the Transaction would be subject to court approval and that, following execution of the Transaction Agreement, the parties would, *inter alia,* (i) confer and agree on the means of implementing the Transaction; (ii) develop the definitive documentation for the debt restructuring contemplated by the Transaction (such as the new Credit Agreement); and (iii) prepare court material necessary for approval of the Transaction by the Court.

151. As part of the Transaction Agreement, it was agreed that a "Final Order" would be sought that, *inter alia*, releases directors from claims arising prior to the Effective Time in connection with the business and affairs of the Company, other than any claims with respect to adjudicated gross negligence, fraud or wilful misconduct on the part of the directors. The Transaction Agreement also contemplated that, following the Effective Time, all rights to indemnification or exculpation in favour of current or former directors of the Company would continue to be honoured by the Company.

152. Because of the financial condition of the Company and its insolvency, it was determined by the parties that the Transaction must be implemented pursuant to a CCAA proceeding. The directors are prepared to continue to support this restructuring process, despite the more restricted directors' release contained in the proposed Plan and despite the fact that

the directors' indemnification rights against the Company will be extinguished on implementation of the proposed Plan. The current by-laws of the Company provide for such indemnification and exculpation.

C. Priorities of Charges

153. It is contemplated that the charges described above will have the following priorities under the terms of the proposed Initial Order:

(a) First – the Administration Charge, to a maximum of $150,000; and

(b) Second – the D&O Charge, to a maximum of $750,000.

154. The registered secured creditors of Allen-Vanguard as at October 26, 2009 are the Royal Bank of Canada as administrative agent for the Secured Lenders, Royal Bank of Canada in its personal capacity ("**RBC**"), the Plan Sponsor, Ikon Office Solutions Inc. ("**IKON**"), Toyota Credit Canada Inc. ("**Toyota**") and Surgenor National Leasing Limited ("**Surgenor**"). The Applicants propose that the Administration Charge and the D&O Charge shall not affect the security interests of IKON, Toyota and Surgenor and the terms of the Initial Order reflect this. This Application for the Initial Order under the CCAA will be brought on notice to the Secured Lenders, the Plan Sponsor and RBC. Accordingly, to the best of my knowledge, information and belief, all of the secured creditors that are likely to be affected by the Administration Charge and the D&O Charge will be given notice of this Application to obtain the Initial Order, and have consented to the terms of the proposed Charges. Attached as **Exhibit "K"** is a copy of the Personal Property Registration search results for Allen-Vanguard as at October 26, 2009.

VIII. CONCLUSION

155. The Applicant is an insolvent Canadian company seeking to restructure its debt obligations with the consent of affected creditors. The proposed restructuring is in the best interests of the Company and its economic stakeholders and employees.

156. The Applicant has entered into the Transaction Agreement with its Secured Lenders and the Plan Sponsor which establishes the terms of a recapitalization of the Company to be effected through a CCAA restructuring. The Interim Funding is only available as part of the Transaction. The funding to be provided by the Plan Sponsor for the restructuring is only available as part of the Transaction. It is Allen-Vanguard's intention to implement its Plan and exit these proceedings as quickly as practicable which will avoid unnecessary disruption and maintain customer confidence, both of which are vital to preserve Allen-Vanguard as a viable post-filing company.

157. If the CCAA restructuring is not effected, the Company faces a cessation of its operations, the liquidation of its assets and the termination of its employees.

158. The proposed Transaction represents the best (and only) viable option for the Company and its economic stakeholders. I understand that the Proposed Monitor supports this conclusion, as do all of the Secured Lenders who have agreed to support and vote for the approval of the Plan.

159. As a result of the foregoing, the Company respectfully seeks the relief set out in the within Application.

SWORN BEFORE ME at the City of Ottawa, in the Province of Ontario, on December 8th, 2009.

Commissioner for Taking Affidavits

Kate Mairi MacLeod, a Commissioner etc., Province of Ontario, while a student-at-law. Expires August 12, 2012.

DAVID E. LUXTON

This is Exhibit "**C**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

This is Exhibit "B" referred to in the affidavit of DAVID E. LUXTON sworn before me, this 8th day of December, 2009

A COMMISSIONER FOR TAKING AFFIDAVITS

Kate Mairi MacLeod, a
Commissioner etc., Province of Ontario,
while a student-at-law.
Expires August 12, 2012.

ALLEN-VANGUARD ANNOUNCES RESTATEMENT OF JUNE 30, 2009 CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS ALONG WITH RE-FILING OF ITS JUNE 30, 2009 MD&A

OTTAWA – September 1, 2009 – Allen-Vanguard Corporation (the "Company" or "Allen-Vanguard") (TSX: VRS) of Ottawa, Canada announced today the restatement of its June 30, 2009 Consolidated Statements of Operations and Comprehensive Loss and the re-filing of its June 30, 2009 MD&A. All figures are in Canadian dollars and reported in thousands.

The restatement of the June 30, 2009 Consolidated Statement of Operations and Comprehensive Loss results in revenue decreasing by $4,329 to $46,980 with a corresponding decrease to cost of goods sold of $4,329 totaling $31,842.

The restatement has no impact on previously reported gross profit, net loss and comprehensive loss and basic and diluted net loss per common share. In addition, there is no impact on prior periods, nor is there any impact on the Company's Consolidated Balance Sheets and Consolidated Statement of Cash Flows.

Forward looking statements

This press release may contain forward-looking statements, which reflect Allen-Vanguard's current expectations regarding future events, its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "plans," "believes," "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future investments, acquisitions or dispositions, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors. Forward-looking statements are not promises or guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made about the Company. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decision and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware that the Company disclaims any obligation to publicly update or revise any such forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Discussion and Analysis to be released by the Company or except as required by law .

About Allen-Vanguard

Allen-Vanguard Corporation supports the mission of military and homeland security forces around the world with leading proprietary solutions for protection and counter-measures against hazardous devices of all kinds, whether chemical, biological, radiological or explosive ("CBRNE"), including improvised explosive devices (IEDs) and remotely controlled IEDs ("RCIED"s). Allen-Vanguard equipment is in service in more than 120 countries. Products include Electronic Counter-Measures ("ECM") equipment for jamming remote detonation of terrorist devices, specialty security equipment for Explosive Ordnance Disposal ("EOD"), remote intervention robots for hazardous applications, and personal protective wear for use in dealing with explosive and bio-chemical agents. Allen-Vanguard is the developer and/or sole,

worldwide licensee of proprietary technologies such as the Med-Eng bomb suit, the DefenderTM and Vanguard TM Mk2 bomb disposal robots, and the Universal Containment System and CASCAD Foam system for blast mitigation and decontamination of bio-chemical warfare agents. Professional services encompass counter-IED intelligence, training and advisory services, including the TritonTM Report on terrorist incidents around the world. The Company operates globally through its wholly-owned subsidiaries under the names "Allen-Vanguard", "Med-Eng" and "Hazard Management Solutions". Head office operations are located in Ottawa, Ontario, Canada, with manufacturing operations in Pembroke, Ontario; Ogdensburg, New York; and Tewkesbury, U.K.. The Company has professional services operations in Shrivenham, UK, Canada and in the U.S. in Arlington, Virginia, plus sales offices in Canada, the U.S., the U.K. and Asia. Allen-Vanguard's shares are listed on The Toronto Stock Exchange (TSX) under the symbol "VRS". To learn more about Allen-Vanguard Corporation (TSX: VRS), visit www.allenvanguard.com.

For further information please contact:

Robin Sundstrom

(647) 822-8111

ir@allenvanguard.com

Consolidated Interim Financial Statements
(As restated on September 1, 2009, see note 1)

ALLEN-VANGUARD CORPORATION

Three and nine months ended June 30, 2009 and 2008
(Unaudited)

ALLEN-VANGUARD CORPORATION

Consolidated Balance Sheets
(in thousands)

	June 30, 2009	September 30, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 1,971	$ 8,522
Restricted cash	5,452	4,065
Accounts receivable	35,943	29,547
Inventories	34,598	36,157
Prepaid expenses and other	3,597	2,618
Income taxes recoverable	9,455	9,755
Future income taxes	4,957	13,506
	95,973	104,170
Non-current restricted cash	652	1,976
Property and equipment	14,337	16,693
Goodwill (note 4)	67,041	82,333
Intangible assets (note 5)	74,709	206,942
Future income taxes	10,209	12,699
Other long-term assets	1,697	2,321
	$ 264,618	$ 427,134
Liabilties and Shareholders' Equity		
Current liabilities:		
Bank indebtedness (note 6)	$ 17,212	$ 8,088
Accounts payable and accrued liabilities	46,049	36,516
Income taxes payable	21,439	16,098
Deferred revenue	2,281	13,098
Current portion of long-term debt (note 7)	39,512	10,327
	126,493	84,127
Future income taxes	22,220	62,021
Long-term debt (note 7)	166,324	184,495
	315,037	330,643
Shareholders' equity:		
Capital stock (note 8)	543,990	543,982
Stock options (note 8)	6,091	4,298
Warrants (note 8)	30,306	26,213
Contributed surplus	737	737
Accumulated and other comprehensive income	12	12
Deficit	(631,555)	(478,751)
	(50,419)	96,491
	$ 264,618	$ 427,134

Subsequent events (note 16)
See accompanying notes to consolidated interim financial statements.

On behalf of the Board:

_____ Director

_____ Director

ALLEN-VANGUARD CORPORATION

Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share information)

	Three months ended June 30		Nine months ended June 30	
	2009 As restated (note 1)	2008	2009 As restated (note 1)	2008
	(Unaudited)		(Unaudited)	
Revenue	$ 46,980	$ 31,206	$ 176,245	$ 262,759
Cost of sales	31,842	22,983	110,759	157,120
Gross profit	15,138	8,223	65,486	105,639
Expenses:				
Selling and administration	10,076	13,800	28,995	36,600
Research and development, net (note 10)	2,813	4,023	10,637	12,668
	12,889	17,823	39,632	49,268
Income (loss) before the understated	2,249	(9,600)	25,854	56,371
Restructuring (note 11)	287	-	2,492	-
Interest on long-term debt	4,721	4,189	14,309	18,990
Realized foreign exchange loss (gain)	2,565	(10,364)	3,172	(11,406)
Unrealized foreign exchange loss (gain)	(18,857)	8,519	17,989	14,061
Stock-based compensation	550	2,519	1,793	3,755
Other income (expense)	217	60	33	(1,260)
Amortization of intangible assets and depreciation of property and equipment	1,461	1,258	4,555	3,888
Acquisition and financing related charges and amortization (note 12)	6,677	34,079	21,114	126,362
Impairment losses (note 4 and 5)	130,285	-	136,334	-
	127,906	40,260	201,791	154,390
Loss from operations	(125,657)	(49,860)	(175,937)	(98,019)
Provision for (recovery of) income taxes	(26,473)	(13,228)	(23,133)	(34,029)
Net loss and comprehensive loss	$ (99,184)	$ (36,632)	$ (152,804)	$ (63,990)
Basic and diluted net loss per common share (note 13)	$ (0.91)	$ (0.34)	$ (1.40)	$ (0.60)

See accompanying notes to consolidated interim financial statements.

ALLEN-VANGUARD CORPORATION

Consolidated Statements of Shareholders' Equity
(in thousands, except share information)

Nine months ended June 30, 2009 and June 30, 2008
(Unaudited)

	Number of shares	Capital stock	Stock options	Warrants	Contributed surplus	Accumulated comprehensive income	Deficit	Total shareholders' equity
Balance at September 30, 2008	109,050,182	$ 543,982	$ 4,298	$ 26,213	$ 737	$ 12	$ (478,751)	$ 96,491
Common shares issued	170,457	8	-	-	-	-	-	8
Warrants granted	-	-	-	4,093	-	-	-	4,093
Stock-based compensation	-	-	1,793	-	-	-	-	1,793
Loss for the period ended June 30, 2009	-	-	-	-	-	-	(152,804)	(152,804)
Balance at June 30, 2009	109,220,639	$ 543,990	$ 6,091	$ 30,306	$ 737	$ 12	$ (631,555)	$ (50,419)
Balance at September 30, 2007	105,329,745	$ 531,083	$ 225	$ 19,125	$ 737	$ 12	$ (42,422)	$ 508,760
Common shares issued	3,302,889	11,238	-	-	-	-	-	11,238
Warrants granted	-	-	-	7,088	-	-	-	7,088
Stock options exercised	135,798	535	(43)	-	-	-	-	492
Compensation options exercised	281,750	1,127	-	-	-	-	-	1,127
Stock-based compensation	-	-	4,105	-	-	-	-	4,105
Loss for the period ended June 30, 2008	-	-	-	-	-	-	(63,990)	(63,990)
Balance at June 30, 2008	109,050,182	$ 543,983	$ 4,287	$ 26,213	$ 737	$ 12	$ (106,412)	$ 468,820

See accompanying notes to consolidated interim financial statements.

ALLEN-VANGUARD CORPORATION

Consolidated Statements of Cash Flows
(in thousands)

	Three months ended June 30		Nine months ended June 30	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net loss and comprehensive loss	$ (99,184)	$ (36,632)	$ (152,804)	$ (63,990)
Items not involving cash:				
Depreciation and amortization	1,461	1,258	4,555	3,888
Stock-based compensation expense	561	2,519	1,793	4,105
Acquisition and financing related charges and amortization	5,868	16,503	17,646	93,399
Unrealized foreign exchange loss (gain)	(18,686)	8,519	18,894	14,061
Loss on disposal of capital assets	533	-	512	-
Impairment losses	130,285	-	136,334	-
Future income taxes	(28,307)	(1,510)	(28,666)	(34,326)
	(7,469)	(9,343)	(1,736)	17,137
Changes in non-cash working capital items (note 14)	(718)	(16,397)	(1,459)	28,447
Cash flows provided by (used in) operating activities	(8,187)	(25,740)	(3,195)	45,584
Cash flows from financing activities:				
Net proceeds of bank indebtedness	16,270	8,143	31,795	8,143
Repayment of bank indebtedness	(11,147)	-	(22,878)	-
Proceeds from issuance of long-term debt	-	191,397	224,568	191,397
Repayment of long-term debt	(21)	(200,388)	(224,660)	(281,003)
Decrease in incentive payment	-	-	-	(226)
Payment of deferred transaction costs	(251)	(5,570)	(9,276)	(5,560)
Refund (payment) of revolving credit facility fees	(34)	-	38	-
Net proceeds from issuance of common shares, warrants, and compensation options, net of costs	-	-	-	1,619
Cash flows provided by (used in) financing activities	4,817	(6,418)	(413)	(85,630)
Cash flows from investing activities:				
Purchase of property and equipment	(1,341)	(634)	(2,710)	(2,919)
Acquisitions	-	-	-	(1,111)
Acquisitions of intangible assets	(144)	-	(170)	(113)
Decrease (increase) in restricted cash	256	18,329	(63)	32,285
Cash flows provided by (used in) investing activities	(1,229)	17,695	(2,943)	28,142
Net decrease in cash and cash equivalents	(4,599)	(14,463)	(6,551)	(11,904)
Cash and cash equivalents, beginning of period	6,570	22,999	8,522	20,440
Cash and cash equivalents, end of period	$ 1,971	$ 8,536	$ 1,971	$ 8,536
Supplemental cash flow information:				
Interest paid	$ 4,579	$ 5,771	$ 14,768	$ 19,856
Income taxes paid (recovered)	(12)	(16)	962	(18,585)

See accompanying notes to consolidated interim financial statements.

ALLEN-VANGUARD CORPORATION

Notes to Consolidated Interim Financial Statements
(in thousands, except per share information)

Three months and nine months ended June 30, 2009 and 2008
(Unaudited)

Allen-Vanguard (the "Company") develops and markets technologies, tools and training for defeating and minimizing the effects of improvised explosive devices ("IED's") and other hazardous devices and materials, whether chemical, biological, radiological, nuclear or explosive ("CBRNE"). The Company's equipment and services have been provided to leading security and military forces in more than 120 countries.

The Company operates in three principal business segments: (1) Electronic Systems ("ES"), consisting primarily of electronic counter-measures ("ECM" or "jammers") which prevent the detonation of remotely controlled IED's ("RCIED's"), (2) Personal Protection Systems ("PPS"), which includes bomb disposal and chem-bio suit ensembles, body armour, remote intervention robots and other search and disposal specialty equipment for Explosive Ordnance Disposal ("EOD"), blast mitigation and decontamination equipment, and (3) Services, including counter-IED intelligence, training and advisory services. A fourth business segment includes other ancillary items, such as vehicle barriers.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and, accordingly, certain disclosures normally included in annual financial statements prepared in accordance with GAAP are not provided and should be read in conjunction with the Company's 2008 audited consolidated financial statements and notes thereto. These unaudited interim consolidated financial statements have been prepared following accounting principles consistent with those used in the annual audited consolidated financial statements, except as described in Note 2, and should be read in conjunction with the annual audited financial statements of the Company for the year ended September 30, 2008.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist only of normal and recurring adjustments, necessary to present fairly the financial position at June 30, 2009 and the results of operations and cash flows for the three month and nine month periods ended June 30, 2009 and 2008. Due to the nature of the Company's sales cycle and the size of individual orders, the results reported in these interim consolidated financial statements should not be regarded as necessarily indicative of the results that may be expected for the entire year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's long-term debt is furnished under an amended and restated credit facility (the "New Credit Facility") with a syndicate of lenders (the "Lenders"). The Lenders recently deferred the June 30, 2009 principal payment to September 30, 2009 and the Company received waivers from the Lenders relating to compliance with covenants in the New Credit Facility as at May 31, 2009, and June 30, 2009 (see note 7). By September 30, 2009, the Company is required to complete the raising of capital in a minimum amount of US $50,000, with a percentage of the proceeds to be agreed upon by the Company and the Lenders to be used to permanently reduce the aggregate indebtedness outstanding under the existing facilities. If such capital raise is not completed, the Company must offer conversion of all or part of the outstanding term loan amount to equity in the capital stock of the Company on terms to be acceptable to each of the Lenders. If such a conversion is not acceptable to each of the Lenders, the term loan facility would be payable on demand on January 31, 2010. The Company and the Lenders are in active negotiations to amend the terms and covenants of the New Credit Facility and no adverse action has been taken by the Lenders nor have the Lenders indicated their intent to demand payment of the term loan principal balance outstanding under the New Credit Facility prior to its maturity date in 2011. The Company signed an exclusivity agreement on April 6, 2009 with an undisclosed U.S. investor and remains in discussions with the investor regarding a going-private transaction. As currently contemplated, such a transaction, if concluded, would result in a restructuring of the New Credit Facility. No final agreement has been reached with either the Lenders or the potential investor; therefore, there can be no assurances that the Company will be able to successfully complete such a restructuring of the New Credit Facility or the capital raise.

These conditions raise uncertainty about the Company's ability to continue as a going concern in the event an investment transaction is not consummated and therefore the Company may be unable to realize on its assets and discharge its liabilities in the normal course of business. The financial statements do not include any other adjustments related to the recoverability and classification of recorded asset amounts nor to the amount and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

(in thousands, except per share information)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restatement of previously issued interim financial statements

The consolidated statements of operations and comprehensive loss have been restated on September 1, 2009, to adjust revenues and costs of sales to eliminate certain interdivisional revenues and costs related to transactions which occurred during the three months ended June 30, 2009. The impact of this restatement on the consolidated statements of operations and comprehensive loss is as follows:

	Three months ended June 30, 2009		Nine months ended June 30, 2009	
	As Previously Reported	Restated	As Previously Reported	Restated
Revenue	$51,309	$46,980	$180,574	$176,245
Cost of sales	36,171	31,842	115,088	110,759
Gross profit	$15,138	$15,138	$65,486	$65,486

The restatement had no impact on amounts previously reported as gross profit, net loss and comprehensive loss, and basic and diluted net loss per common share in the consolidated statements of operations and comprehensive loss. The restatement also had no impact on the amounts previously reported in the consolidated balance sheets, consolidated statements of shareholders' equity, or consolidated statements of cash flows.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Effective October 1, 2008 the Company adopted the following new accounting standards.

Inventories

In March 2007, the CICA issued Section 3031, Inventories, replacing Section 3030, Inventories. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Section prescribes the accounting treatment for inventories such as measurement of inventories at the lower of cost and net realizable value. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-downs to net realizable value and reversal of previous write-downs of inventories arising from an increase in net realizable value. It also provides guidance on the cost methodologies that are used to assign costs to inventories and it describes the required disclosures on the carrying amount of inventories, the amount of inventories recognized as an expense and the amount of write-downs or reversal of write-downs of inventories. The Company adopted the standard on October 1, 2008, and the adoption of this section did not have an impact on the Company's consolidated financial statements.

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook section 3064,*"Goodwill and Intangible Assets"*, replacing section 3062, *"Goodwill and Other Intangible Assets"*, and section 3450, *"Research and Development Costs"*. This section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The new section is effective for years beginning on or after October 1, 2008. The adoption of this section did not have an impact on the Company's consolidated financial statements.

General Standards of Financial Statement Presentation

The Company adopted the amended CICA Handbook Section 1400, "General Standards of Financial Statement Presentation". This section now requires that management make an assessment of an entity's ability to continue as a going concern when preparing financial statements. The adoption of this section did not have an impact on the Company's consolidated financial statements.

EIC 173

In January 2009, the CICA issued EIC 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which clarifies that the credit risk of counterparties and the Company's own credit risk should be taken into account in determining the fair value of financial instruments including derivatives. EIC 173 is to be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value for periods ending on or after the date of issuance of the Abstract. The Company has concluded that this standard has no material impact on its consolidated financial statements.

3. FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards (IFRS)

The CICA plans to converge Canadian GAAP with IFRS over a transition period expected to end in 2011. Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Company's processes and financial results. The Company is currently in the planning phase of the conversion to prepare for implementation by October 1, 2010. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Currently, it is not possible to fully determine the impact to the financial statements and any potential business impacts, as accounting standards and the interpretations of those standards are changing.

Management has been assessing the impact of these new accounting standards on its consolidated financial statements and intends to implement them in time to meet associated effective dates.

The CICA issued the following new Handbook sections:

i) Section 1582, "Business Combinations", which replaces Section 1581, "Business Combinations". The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), "Business Combinations". The Section applies prospectively to business combinations for which the acquisition date is on or after October 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

(in thousands, except per share information)

3. FUTURE ACCOUNTING STANDARDS (continued)

ii) Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on October 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

iii) Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which together replace Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosure on the nature and extent of risk arising from financial instruments and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The effective date of the amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

4. GOODWILL

	June 30, 2009	September 30, 2008
Balance, beginning of year	$ 82,333	$ 375,437
Acquisition of Hazard Management Solutions Limited		
Net asset adjustment	-	915
April 3, 2008, extinguishment of Vendor Notes and Earnout	-	1,885
Adjustment to cost of acquisition	-	(2,194)
Acquisition of Med-Eng Systems Inc.		
Adjustment to cost of acquisition	-	(39,987)
Impairment recognized (a)	(15,292)	(253,723)
	$ 67,041	$ 82,333

(in thousands, except per share information)

4. GOODWILL (continued)

(a) CICA section 3064 requires Goodwill to be tested on an annual basis or more frequently if events or changes in circumstances indicate that the asset may be impaired. The Company performed an impairment test at March 31, 2009 and at June 30, 2009, and its annual impairment test at September 30, 2008, whereby the carrying amount of goodwill was compared to the discounted future cash flows expected from its use. Impairment tests involve a significant degree of judgement, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties. At March 31, 2009, management concluded that impairment had occurred, and consequently, the Company reduced the carrying value of goodwill through a charge to operations in the amount of $3,949 for the three month period ended March 31, 2009. At June 30, 2009, management concluded that further impairment had occurred, and consequently, the Company reduced the carrying value of goodwill through a charge to operations in the amount of $11,343 for the three month period ended June 30, 2009. For the year ended September 30, 2008, the Company recorded an impairment loss of $253,723.

5. INTANGIBLE ASSETS

June 30, 2009	Cost	Accumulated amortization	Net book value
Electronic systems technology	$ 18,005	$ 1,691	$ 16,314
Personal protection systems technology	33,355	8,391	24,964
Customer orders	51,002	51,002	-
Customer lists and relationships	18,415	10,130	8,285
Technical drawings and patents	3,265	1,375	1,890
Brand value	21,940	896	21,044
Proprietary intelligence database	1,069	219	850
Proprietary course curriculum	1,803	370	1,433
Assembled sales agent network	250	121	129
	$ 149,104	$ 74,195	$ 74,909

September 30, 2008	Cost	Accumulated amortization	Net book value
Electronic systems technology	$ 22,541	$ -	$ 22,541
Personal protection systems technology	95,260	4,829	90,431
Customer orders	51,002	51,002	-
Customer lists and relationships	66,216	4,680	61,536
Technical drawings and patents	3,125	1,200	1,925
Brand value	28,707	845	27,862
Proprietary intelligence database	1,069	138	931
Proprietary course curriculum	1,803	235	1,568
Assembled sales agent network	250	102	148
	$ 269,973	$ 63,031	$ 206,942

(in thousands, except per share information)

5. INTANGIBLE ASSETS (continued)

CICA section 3064 requires long-lived assets to be tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The Company performed an impairment test at March 31, 2009 and at June 30, 2009, and its annual impairment test at September 30, 2008, whereby the carrying amount of intangible assets was compared to the discounted future cash flows expected from their use. Impairment tests involve a significant degree of judgement, as expectations concerning future cash flows and the selection of an appropriate discount rate are subject to considerable risks and uncertainties. At March 31, 2009, management concluded that impairment had occurred, and consequently the Company reduced the carrying value of intangible assets through a charge to operations in the amount of $2,100 in the three month period ended March 31, 2009. The asset deemed to be impaired was Brand value (ES trademarks). At June 30, 2009, management concluded that further impairment had occurred, and consequently the Company reduced the carrying value of intangible assets through a charge to operations in the amount of $118,942 in the three month period ended June 30, 2009. The assets deemed to be impaired were ES technology ($4,537), ES customer relationships ($18,358), ES brand value ($4,700), PPS technology ($61,904) and PPS customer relationships ($29,443). For the year ended September 30, 2008, the Company reduced the carrying value of intangible assets through a charge to loss in the amount of $126,273. The assets deemed to be impaired were ES technology ($47,768), ES customer relationships ($35,938), ES brand value ($20,314) and PPS trademarks ($22,253).

6. BANK INDEBTEDNESS

	June 30, 2009	September 30, 2008
Bank indebtedness	$ 17,212	$ 8,088

The Company has a revolving credit facility of up to the aggregate of $7,600 US dollars and $16,000 as described in Note 7(a).

(in thousands, except per share information)

3. FUTURE ACCOUNTING STANDARDS (continued)

ii) Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), "Consolidated and Separate Financial Statements". The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on October 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

iii) Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation", which together replace Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosure on the nature and extent of risk arising from financial instruments and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The effective date of the amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.

4. GOODWILL

	June 30, 2009	September 30, 2008
Balance, beginning of year	$ 82,333	$ 375,437
Acquisition of Hazard Management Solutions Limited		
Net asset adjustment	-	915
April 3, 2008, extinguishment of Vendor Notes and Earnout	-	1,885
Adjustment to cost of acquisition	-	(2,194)
Acquisition of Med-Eng Systems Inc.		
Adjustment to cost of acquisition	-	(39,987)
Impairment recognized (a)	(15,292)	(253,723)
	$ 67,041	$ 82,333

7. LONG-TERM DEBT (continued)

(a) On December 29, 2008, the Company entered into an amended and restated syndicated credit facility (the "New Credit Facility") with the lenders ("New Facility Lenders"), amending and restating the credit facilities agreement signed on May 6, 2008 ("old agreement"). The New Credit Facility caps the term loan commitment on the old agreement which is fully advanced and capped at $184,375 US dollars, caps the existing revolving facility commitment at $14,000, comprising the existing revolving loan which is capped at $7,600 US, of which $7,600 US is currently drawn, and the existing documentary credit facility capped at $4,000. The New Facility Lenders made available an additional facility in an amount up to the US dollar equivalent of $16,000 ("New Revolving Facility") and an additional documentary credit ("DC") commitment of up to $4,500 ("New DC Facility"). Currently, $7,200 US is drawn on the new revolving facility. Additionally, the New Credit Facility provides deferral and reduction of previously scheduled principal repayments in 2008 and 2009 which defers in aggregate a total of US $43,668, as described below. The maturity date is May 6, 2011 for the term loan facility and the existing revolver facility, December 31, 2009 for the New Revolving Facility, and December 31, 2010 for the additional New DC Facility.

The availability of the New Revolving Facility is based on the Company's Peak Forecast amount in each respective week plus $5,000, but not to exceed the maximum of $16,000, as calculated by the Company in its weekly cash flow forecast provided by the Company to the New Facility Lenders prior to closing. The Peak Forecast amount is the highest amount required by the Company in any given week in accordance with the cash flow forecast. The Company will provide an updated cash flow forecast to the New Facility Lenders on October 1, 2009 for the period starting October 15, 2009. Upon receipt of the updated forecasts, the Company and the New Facility Lenders will set revised terms of availability and a minimum cumulative net cash flow covenant satisfactory to the New Facility Lenders and the Company. ~~As a result of the agreement to revise terms in the current period, amounts drawn on the $16,000~~ operating facility will be classified as a current liability. All advances under the New DC Facility will be subject to Export Development Canada Performance Security Guarantees ("PSGs") and Financial Security Guarantees ("FSGs") satisfactory to the New Facility Lenders, or if such support is unavailable, must be fully cash collateralized.

The quarterly installments on the term loan facility originally due September 30, 2008, December 31, 2008 and March 31, 2009 are deferred until May 6, 2011. All other quarterly payments due in 2009 are reduced to an amount equal to 2.5% ($4,852 US dollars) of the amount outstanding on the initial May 6, 2008 closing of the original term loan facility, being $194,079 US dollars. Quarterly payments after 2009 will be equal to 5% ($9,704 US dollars). On June 29, 2009, the Company reached an agreement with the New Facility Lenders to defer the quarterly payment due June 30, 2009 to September 30, 2009.

7. LONG-TERM DEBT (continued)

Under the New Credit Facility, certain financial covenants are required to be maintained, including among others, minimum adjusted EBITDA, a cap on restructuring costs of $2,000 per month and not to exceed $3,300 over the current forecasted period and minimum cumulative net cash flow. "Adjusted EBITDA" for any period is defined as Consolidated EBITDA for that period less Capital Expenditures that have been incurred during the period less taxes incurred in the period (excluding sales taxes) that have or will be paid in cash within the next 12 months less all Restructuring Costs that have been incurred in the period and have or will be paid in cash within the next 12 months, excluding those costs already accrued at September 30, 2008, but including any funds used to cash collateralize DCs. On or before September 15, 2009, the Company and the lenders will set revised covenants satisfactory to both parties acting reasonably.

On July 13, 2009, July 27, 2009, as well as August 27, 2009, the Company reached agreements with the New Facility Lenders that waived compliance with certain financial covenants under the New Credit Facility for the months ending May 31, 2009, June 30, 2009, and July 31, 2009.

The interest rate on the term loan facility is US base rate plus 4.5% and on the existing revolving credit facility is US base rate plus 4.0%. The interest rate on the new operating facility is US base rate plus 5.5%, and in no event shall the total interest rate be less than 10%. The interest rate on the New DC Facility is 5.5%.

In relation to the accommodations agreements (note 7(b)), the Company is required to pay an extension fee of $1,500 to the lenders upon the earlier of May 6, 2011 and a restructuring event, which is defined as the closing date of a capital raise, a change of control, sale of substantially all of the assets of the Company or in event of default. In relation to the November 28, 2008 amended accommodation, an accommodation fee of $250 will be paid on the earlier of May 6, 2011 and a restructuring event. Upon the earlier of May 6, 2011 and a restructuring event, the Company will also pay a new facility fee of $5,000 to the New Facility Lenders. The Company will also pay a fee to any lender that is not a New Facility Lender in an amount not to exceed $500 payable on a restructuring event. Pursuant to the accommodation agreement entered into on December 10, 2008, an enhanced return in an amount equal to additional interest earned at the rate of 2% per annum on the amount outstanding under the term loan facility, the revolving credit facility and the DC facility calculated daily from November 1, 2008 to December 30, 2008, the date of an initial advance, was paid to the old agreement lenders.

7. LONG-TERM DEBT (continued)

The Company has authorized the issue of warrants to the New Facility Lenders under the New Credit Facility entitling them to acquire up to 19.9% of the common shares of the Company at an exercise price of $0.2114, being the volume-weighted average trading price of the Company's common shares on the five days ended on the day prior to execution of the amended agreement. All warrants are exercisable for five years and provide for anti-dilution protection.

Pursuant to the New Credit Facility, the Company agreed to provide share appreciation rights ("SARs") to the New Facility Lenders, exercisable at any time during the five year period following April 30, 2009, if the Company had not, on or prior to April 30, 2009, raised additional capital and used some or all of the proceeds from that capital raise to permanently reduce the aggregate indebtedness outstanding under the existing facilities and the New Credit Facility by at least US$50,000 (a "Qualified Capital Raise"). The SARs entitled the New Facility Lenders to be paid a cash amount equal to the increase (if any) in the trading price of the Company's shares at the date of exercise of the SARs over $0.2114 per share multiplied by the number of shares that such lenders would have owned if they had purchased 20% of the fully diluted common shares of the Company as at the execution of the New Credit Facility (i.e., 37,116,000 common shares).

Provided that the Company obtained the approval of shareholders and the TSX, the SARs could be completely replaced, on or prior to April 30, 2009, by additional five-year warrants which entitled the New Facility Lenders to acquire up to an additional 10% of the fully diluted common shares of the Company exercisable at $0.2114 per share (the "SAR Replacement Warrants"). The Company received both of the required approvals and on April 30, 2009, and accordingly, announced that it had elected to issue 16,496,000 warrants exercisable at $0.2114 per share in lieu of the SARs. The fair value of the warrants was $674.

The New Facility Lenders had also been provided with pre-emptive rights allowing them to receive additional warrants ("Top-Up Warrants") on future issuances of equity by the Company at any time the term loan facility is still outstanding, entitling them to purchase for a period of five years from the date of future issuances of equity, at the same price and on the same terms as such equity issuance, sufficient shares of the Company to enable them to maintain their equity interest at 19.9% (or up to 29.9% if they had received additional warrants in place of the SARs).

7. LONG-TERM DEBT (continued)

As the Company did not complete a Qualified Capital Raise by April 30, 2009, in addition to the SARs, the Company is required to complete the raising of capital in a minimum amount of US $50,000 on or before September 30, 2009. If such capital raise is not completed, the Company must offer conversion of all or part of the outstanding term loan amount to equity in the capital stock of the Company on terms to be acceptable to each of the Lenders of the term loan facility. If such conversion is not acceptable to the Lenders, the term loan facility would be payable on demand on January 31, 2010.

The Company has accounted for the New Credit Facility as an extinguishment of the old agreement. As such, the Company fully expensed the remaining deferred transaction costs of $1,615 in the three month period ended December 31, 2008. The Company recorded approximately $13,033 of deferred transaction costs and $624 in other long-term assets in relation to the New Credit Facility and will expense these costs over the term of the amended agreement using the effective interest rate method.

(b) The Company reached a series of accommodation agreements with its Lenders during the period of September 30 to December 16, 2008 that deferred (i) the quarterly principal payment due September 30, 2008, (ii) compliance with certain financial covenants under the May 6, 2008 credit facilities, and (iii) payment of certain interest and fees, all to December 31, 2008. All other terms and conditions of the old agreement remained in effect. Additionally, the accommodation agreements include an enhanced return to the Lenders whereby all accommodations outstanding bore additional interest at the rate of 2% per annum calculated daily from and including November 1, 2008 through December 30, 2008. The Company is also required to pay an extension fee of $1,500 to the Lenders upon a restructuring event. During this period of accommodation the Company was renegotiating the credit facilities. The Company was unable to comply with its financial covenants, as a result of lower than expected cash flows and a lack of an investment transaction, at September 30, 2008, and accordingly, effective December 24, 2008, the Lenders provided a waiver for these covenants and amended the covenants of the new secured credit facilities.

(in thousands, except per share information)

8. SHAREHOLDERS' EQUITY

(a) Capital stock:

The authorized capital stock of the Company consists of an unlimited number of common shares without issued or par value.

(b) Warrants:

Each share purchase warrant entitles the holder to purchase one common share of the Company. A summary of the share purchase warrants outstanding and the changes during the periods is presented below:

	Three months ended June 30,			
	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	32,682	$ 1.83	6,710	$ 8.84
Exercised	-	-	-	-
Granted	16,496	0.21	-	-
Outstanding, end of period	49,178	$ 1.28	6,710	$ 8.84
Exercisable, end of period	49,178	$ 1.28	6,710	$ 8.84

	Nine months ended June 30,			
	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	5,590	$ 9.66	6,245	$ 8.79
Exercised	-	-	-	-
Granted	43,588	0.21	465	9.50
Outstanding, end of period	49,178	$ 1.28	6,710	$ 8.84
Exercisable, end of period	49,178	$ 1.28	6,710	$ 8.84

(in thousands, except per share information)

8. SHAREHOLDERS' EQUITY (continued)

The following table summarizes information for warrants outstanding:

		June 30, 2009	June 30, 2008
Exercise Price	Expiry	Number of warrants	
$0.21	April 30, 2014	16,496	-
$0.21	December 29, 2013	27,092	-
$4.75	August 12, 2008	-	1,120
$9.50	September 17, 2014	3,575	3,575
$9.50	October 12, 2014	465	465
$10.06	September 17, 2010	1,550	1,550
		49,178	6,710

The value of the share purchase warrants were estimated using the Black-Scholes model, with the following assumptions:

	June 30, 2009	September 30, 2008
Dividend yield	-	-
Expected volatility	72%	40%
Risk-free interest rate	1.67%	3.82%
Expected option life	5 years	7 years
Weighted average grant date	$0.13	$4.84

(in thousands, except per share information)

8. SHAREHOLDERS' EQUITY (continued)

(c) Stock options:

Each stock option entitles the holder to purchase one common share of the Company. A total of 8,738 common shares have been reserved to meet outstanding options, or future options to be granted, under the Employee Stock Option Plan. A summary of the Company's employee stock options outstanding and the changes during the period is presented below:

	Three months ended June 30,			
	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,788	$ 4.21	5,152	$ 4.66
Exercised	-	-	-	-
Forfeited	(227)	(4.37)	(69)	4.25
Granted	-	-	286	2.67
Outstanding, end of period	4,561	4.24	5,369	4.56
Exercisable, end of period	2,285	$ 4.30	1,638	$ 3.71

	Nine months ended June 30,			
	2009		2008	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	5,266	$ 4.56	1,245	$ 3.06
Exercised	-	-	(136)	3.62
Forfeited	(1,255)	(3.95)	(82)	4.22
Granted	550	0.49	4,342	4.95
Outstanding, end of period	4,561	4.24	5,369	4.56
Exercisable, end of period	2,285	$ 4.30	1,638	$ 3.71

(in thousands, except per share information)

8. SHAREHOLDERS' EQUITY (continued)

The following table summarizes information for stock options outstanding:

	June 30, 2009		June 30, 2008	
	Options outstanding	Weighted average remaining life (years)	Options outstanding	Weighted average remaining life (years)
$0.60 - $1.05	475	4.32	60	0.39
$1.06 - $3.57	754	2.08	1,010	2.77
$3.58 - $5.00	2,818	3.18	3,718	4.21
$5.01 - $9.73	514	3.38	581	4.39
	4,561		5,369	

The stock-based compensation was estimated using the Black-Scholes option pricing model, with the following assumptions:

	June 30, 2009	September 30, 2008
Dividend yield	-	-
Expected volatility	111%	76%
Risk-free interest rate	1.32%	2.83%
Expected option life	3.52 years	3.22 years
Weighted average grant date fair value	$0.21	$2.81

(d) Restricted Share Units:

Each restricted share unit ("RSU") entitles the holder to one common share of the Company. A total of 1,630 common shares have been reserved to meet outstanding RSUs, or future RSUs to be granted, under the RSU Plan. A summary of the Company's RSUs outstanding and the changes during the period is presented below:

	Three months ended	
	June 30, 2009	June 30, 2008
Outstanding, beginning of period	923	788
Granted	-	20
Forfeited	-	-
Exercised	(7)	-
Outstanding, end of period	916	808

ALLEN-VANGUARD CORPORATION

Notes to Consolidated Interim Financial Statements
(in thousands, except per share information)

Three months and nine months ended June 30, 2009 and 2008
(Unaudited)

8. SHAREHOLDERS' EQUITY (continued)

	Nine months ended	
	June 30, 2009	June 30, 2008
Outstanding, beginning of period	703	-
Granted	525	808
Forfeited	(142)	-
Exercised	(170)	-
Outstanding, end of period	916	808

RSUs vest no later than the third anniversary of the last day of the calendar year to which the RSU compensation relates. The total compensation expense (recovery) under the RSU plan for the three month period ended June 30, 2009 is $(11) (2008 - $305) and for the nine month period ended June 30, 2009 is $nil (2008 - $688) and is recorded in stock based compensation and a liability of $36 is included in accrued liabilities. The RSUs are payable in cash and or shares.

The stock-based compensation for RSUs was estimated using the Black-Scholes option pricing model, with the following assumptions:

	June 30, 2009	September 30, 2008
Dividend yield	-	-
Expected volatility	113%	79%
Risk-free interest rate	1.32%	3.05%
Weighted average life	3 years	3 years
Weighted average grant date fair value	$0.30	$4.33

(in thousands, except per share information)

9. SEGMENTED INFORMATION

The Company operates in three principal business segments: (1) Electronic Systems ("ES"), consisting primarily of electronic counter-measures ("ECM" or "jammers") which prevent the detonation of remotely controlled IED's ("RCIED's"), (2) Personal Protection Systems ("PPS"), which includes bomb disposal and chem-bio suit ensembles, body armour, remote intervention robots and other search and disposal specialty equipment for Explosive Ordnance Disposal ("EOD"), blast mitigation and decontamination equipment, and (3) Services, including counter-IED intelligence, training and advisory services. A fourth business segment includes other ancillary items, such as vehicle barriers.

The Company's reportable segments are strategic business units comprised of different products and services. The Company uses these segments as a primary basis of internal reporting, planning, performance analysis and decision making. The products and services of each reportable unit require different technology and marketing strategies. Revenue cost of sales and gross profit by reportable segment is presented in the following table:

	Three months ended June 30,					
	2009			2008		
	As restated (note 1)					
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
ES	$ 12,944	$ 12,028	$ 916	$ 8,540	$ 7,144	$ 1,396
PPS	25,212	13,859	11,353	13,973	7,804	6,169
Services	8,824	5,955	2,869	6,977	6,617	360
Other	-	-	-	1,716	1,418	298
	$ 46,980	$ 31,842	$ 15,138	$ 31,206	$ 22,983	$ 8,223

	Nine months ended June 30,					
	2009			2008		
	As restated (note 1)					
	Revenue	Cost of sales	Gross profit	Revenue	Cost of sales	Gross profit
ES	$ 86,799	$ 55,259	$ 31,540	$ 188,230	$ 109,545	$ 78,685
PPS	62,623	38,752	23,871	52,741	29,493	23,248
Services	26,823	16,748	10,075	19,648	16,324	3,324
Other	-	-	-	2,140	1,758	382
	$ 176,245	$ 110,759	$ 65,486	$ 262,759	$ 157,120	$ 105,639

(in thousands, except per share information)

9. SEGMENTED INFORMATION (continued)

Goodwill and intangibles by reportable segment are presented in the following table:

	June 30, 2009		September 30, 2008	
	Goodwill	Intangibles	Goodwill	Intangibles
ES	$ 19,107	$ 17,050	$ 27,426	$ 50,720
PPS	37,921	51,350	44,894	149,179
Services	10,013	6,309	10,013	7,043
Other	-	-	-	-
	$ 67,041	$ 74,709	$ 82,333	$ 206,942

Revenue is analyzed geographically as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
	As restated (note 1)		As restated (note 1)	
U.S.A.	$ 37,084	$ 16,240	$ 141,164	$ 226,887
Europe/Middle East	3,894	10,795	21,561	20,877
Canada	1,099	1,022	3,508	7,560
Asia/Pacific	1,636	2,852	5,553	6,112
Other	3,267	297	4,459	1,323
	$ 46,980	$ 31,206	$ 176,245	$ 262,759

Property, plant and equipment are analyzed geographically as follows:

	June 30, 2009	September 30, 2008
U.S.A.	$ 1,018	$ 892
Europe/Middle East	4,374	5,461
Canada	8,945	10,340
	$ 14,337	$ 16,693

(in thousands, except per share information)

9. SEGMENTED INFORMATION (continued)

Goodwill and intangibles are analyzed geographically as follows:

	June 30, 2009	September 30, 2008
Europe/Middle East	$ 29,352	$ 30,305
Canada	112,398	258,970
	$ 141,750	$ 289,275

10. RESEARCH AND DEVELOPMENT

Research and development consists of the following:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Research and development, gross	$ 3,710	$ 5,318	$ 13,357	$ 17,331
Less: investment tax credits	(753)	(1,243)	(2,137)	(3,954)
Less: grants	(144)	(52)	(583)	(709)
Research and development, net	$ 2,813	$ 4,023	$ 10,637	$ 12,668

(in thousands, except per share information)

11. RESTRUCTURING

On September 25, 2008, the Company announced a restructuring plan to reduce annual operating costs through consolidation of facilities and other efficiency measures. The majority of the costs are for employee termination and related costs and building closures. The Company anticipates the total amount to be recorded will be $4,634, of which $1,542 was recorded in the fourth quarter of 2008, $1,391 was recorded in the first quarter of 2009, $814 was recorded in the second quarter of 2009, and $287 was recorded in the third quarter of 2009. The following table provides a summary of the estimated costs on a pre-tax basis:

	Employee, legal and related	Site closure and transfer costs	Asset impairment and accelerated depreciation	Total
Total estimate	$ 2,114	$ 1,633	$ 887	$ 4,634
Charges in the fourth quarter 2008	956	-	586	1,542
Charges in the first quarter 2009	761	630	-	1,391
Charges in the second quarter 2009	385	211	218	814
Charges in the third quarter 2009	12	192	83	287
Estimated charges remaining	$ -	$ 600	$ -	$ 600

12. ACQUISITION AND FINANCING RELATED CHARGES AND AMORTIZATION

Acquisition and financing related charges and amortization consist of the following:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Amortization of acquired intangible assets	$ 3,784	$ 9,095	$ 11,338	$ 60,488
Acquisition-related compensation expense	-	11,959	-	16,960
Cost of sales of Med-Eng inventory fair value adjustment	-	-	-	5,315
Amortization of senior debt financing fees	1,176	2,367	5,048	22,297
Amortization of revolver deferred financing fees	234	607	585	667
Senior debt facility waiver, amendment fee and extinguishment costs	-	10,051	-	20,635
Refinancing costs	1,483	-	4,143	-
	$ 6,677	$ 34,079	$ 21,114	$ 126,362

(in thousands, except per share information)

13. LOSS PER COMMON SHARE

Loss per common share is computed using the following weighted average number of outstanding common shares:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Weighted average common shares outstanding	109,185	108,980	109,140	106,981
Effect of diluted potential common shares	-	-	-	-
	109,185	108,980	109,140	106,981

14. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Net change in non-cash operating working capital items relating to operations:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Accounts receivable	$ (102)	$ 12,686	$ (6,396)	$ 54,169
Inventories	(1,835)	(8,140)	1,559	(10,443)
Prepaid expenses and others	(734)	2,563	(979)	567
Income taxes recoverable	289	-	300	-
Accounts payable and accrued charges	3,040	(10,541)	9,533	(33,983)
Income taxes payable	446	(13,638)	5,341	15,866
Deferred revenue	(1,822)	-	(10,817)	-
	$ (718)	$ (17,070)	$ (1,459)	$ 26,176

(in thousands, except per share information)

14. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (continued)

Supplemental disclosure of non-cash transactions:

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
Non-cash operating activities:				
Issuance of warrants in connection with issuance of SAR replacement warrants	$ 674	$ -	$ 674	$ -
Investment tax credits included in future income taxes	-	-	924	-
Issuance of warrants in connection with issuance of senior debt facility	-	-	-	5,466
Issuance of common shares for payment of senior debt facility waiver fee	-	-	-	5,559
Issuance of common shares for payment of compensation expense	-	3,794	-	3,794
Capitalized deferred financing fees included in accounts payable and accrued liabilities	-	673	-	673
Increase in future tax liability from HMS acquisition	-	961	-	961
Non-cash financing activities:				
Issuance of warrants, included in deferred transaction costs	-	-	3,420	-
RSU's converted to capital stock	-	-	8	-
Stock-options expense reversal relating to 2007 bonus accrual	-	-	-	(350)
Non-cash investing activities:				
Intangible asset increase due to finalization of HMS purchase price allocation	-	4,116	-	4,116
Goodwill decrease due to finalization of HMS purchase price allocation	-	(3,155)	-	(3,155)
Issuance of common shares in connection with HMS vendor note settlement included as an increase to Goodwill	-	1,885	-	1,885

15. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current presentation.

16. SUBSEQUENT EVENTS

On July 2, 2009, the Company announced it had reached an agreement with its New Facility Lenders that defers to September 30, 2009, the $4,852 US dollars quarterly principal payment due June 30, 2009.

On July 13, 2009, July 27, 2009, as well as August 27, 2009, the Company reached agreements with the New Facility Lenders that waived compliance with certain financial covenants under the New Credit Facility for the months ending May 31, 2009, June 30, 2009, and July 31, 2009.

This is Exhibit "**D**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No.

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO BUSINESS CORPORATIONS ACT, R.S.O. 1990, c. B.16, AS AMENDED

AFFIDAVIT OF BARRY GOLDBERG

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ONTARIO
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AFFIDAVIT OF BARRY GOLDBERG

I, Barry Goldberg, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

I. INTRODUCTION

1. I am the Principal and Head of Financial Restructuring of Genuity Capital Markets ("**Genuity**"). Genuity was engaged by Allen-Vanguard Corporation (the "**Company**" or "**Allen-Vanguard**") on September 18, 2008, for the purposes of assisting in its effort to identify a suitable investment partner for Allen-Vanguard and to assist in ongoing discussions with Allen-Vanguard's senior secured lenders (the "**Secured Lenders**"). As such, I have personal knowledge of the matters to which I hereinafter depose, except where my knowledge is based on information and belief, in which case I believe such information to be true.

2. To the extent necessary, I have reviewed Genuity's files regarding its engagement by Allen-Vanguard and have spoken with other representatives of Genuity, representatives of Allen-Vanguard, representatives of the Secured Lenders and representatives of the Plan Sponsor to fully inform myself as to the contents of this affidavit. I believe that the information I have received in that regard is true.

3. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the affidavit of David E. Luxton, President and Chief Executive Officer of Allen-Vanguard ("**Luxton**"), sworn December 2, 2009 (the "**Luxton Affidavit**").

4. This affidavit is filed in support of Allen-Vanguard's application for relief pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-43, as amended ("**CCAA**") in order to allow Allen-Vanguard to file a Plan of Arrangement and Reorganization.

5. The process undertaken by Allen-Vanguard to obtain outside investment that eventually led to the execution of the Transaction Agreement with the Secured Lenders and the Plan Sponsor, an affiliate of Versa Capital Management, Inc. ("**Versa**"), is set out below.

II. ENGAGEMENT AND CREDENTIALS OF GENUITY CAPITAL MARKETS

6. Genuity is a Canadian investment banking firm with operations in a broad range of investment banking activities, including corporate finance, mergers and acquisitions, financial restructuring, equity sales and trading and equity research. Genuity and its principals have participated in a significant number of transactions involving public and private companies and has extensive experience in providing stakeholders with strategic

advice and access to capital in both formal (CCAA, *Canada Business Corporations Act* and *Business Corporations Act* (Ontario)) and informal restructuring situations.

III. INVESTOR SOLICITATION PROCESS

7. The investor solicitation process in which Allen-Vanguard has been involved in seeking a recapitalization, as more particularly described in paragraphs 95 through 111 of the Luxton Affidavit, can be described with reference to four phases. All information below concerning the role and discussions held by RBC Capital Markets, discussions held by the principals and advisors of Tailwind Financial Inc. ("**Tailwind**"), and discussions held by the CEO of Allen-Vanguard where Genuity was not present, are based entirely on information provided by those parties which I have not verified to be true, but which I believe to be true.

8. The four phases (collectively, the "**Investor Process**") were:

(i) an effort led by RBC Capital Markets between June and September 2008 which primarily considered private investment in public equity ("**PIPE**") transactions, with some discussions regarding potential going private transactions. Discussions with one party were at an advanced stage, however these discussions ended in August 2008;

(ii) a joint effort by RBC Capital Markets and Genuity in the period September, 2008 to November 2008 which continued to look at PIPE transactions, but which also focused on a rights offering backstop, potentially in tandem with a mezzanine facility to reduce amounts owing to the Secured Lenders;

(iii) the negotiations conducted with Tailwind which occurred in the period November 2008 to April 2009, which culminated in the Company entering into the Tailwind Agreement, as further described below, on January 23, 2009. The Tailwind Agreement was terminated on April 6, 2009; and

(iv) the negotiations with Versa that evolved from the failure of the Tailwind transaction and which commenced in April 2009 with the signing of the Exclusivity Agreement and culminated with the signing of the Transaction Agreement with the Plan Sponsor and the Secured Lenders on September 12, 2009.

9. During the first three phases, during the 11 month period from June 2008 to April 2009, over 125 potential investors were contacted by one or a combination of RBC Capital Markets, Genuity, the Company CEO and Tailwind principals or advisors. In that time, approximately 40 NDAs were executed and 20 parties conducted some form of due diligence on the Company. Genuity had direct contact with 25 of the aforesaid group of potential investors.

10. I understand that during these phases, discussions were also held at a high level by Luxton with 5 large potential strategic investors in the defence industry.

11. None of these discussions led to a binding commitment, other than with Tailwind, as described below.

12. During the third phase of the Investor Process, Allen-Vanguard entered into the Tailwind Agreement which would have implemented the Tailwind Arrangement under which Tailwind, a special purpose acquisition corporation (a "**SPAC**"), would have acquired all of Allen-Vanguard's outstanding common shares in exchange for shares of Tailwind and Allen-Vanguard would have become a wholly-owned, indirect subsidiary of Tailwind. Tailwind, which had approximately US$100,000,000 in cash on its balance sheet, would then merge with Allen-Vanguard, and the US$100,000,000 would be used to recapitalize Allen-Vanguard's balance sheet. The Tailwind Arrangement is more fully described in paragraphs 102 to 111 of the Luxton Affidavit.

13. Prior to the negotiations with Versa, Tailwind was the only party to enter into any form of binding agreement with Allen-Vanguard.

14. The Tailwind Agreement was conditional on obtaining a favourable Tailwind shareholder vote on the transaction prior to April 17, 2009. That would require the transfer of SPAC stock out of the hands of Tailwind shareholders who desired liquidity and into the hands of those who were interested in the fundamentals of the deal and would vote in favour of the transaction. To achieve this, Tailwind's principals and advisors engaged in a further investor solicitation process, which involved the management of the Company and on occasion, Genuity, to seek parties who would participate in the Tailwind stock transfer process.

15. Allen-Vanguard's shareholders were given the opportunity to vote for the Tailwind Arrangement and, in conjunction with that transaction, to participate in a rights offering of subscription receipts for up to $100 million at a price of $0.285 per share, a premium to the then market price, but equivalent to the implied merger pricing of the Tailwind transaction. Closing of the rights offering (in particular the conversion of the subscription receipts into common shares of the Company) was conditional on the closing of the Tailwind Transaction. In the event that the Tailwind Arrangement did not close, those shareholders that had exercised their rights would have their exercise price refunded in full.

16. The preconditions to the Tailwind Arrangement were not satisfied as there was an insufficient interest by new investors to obtain the Tailwind stock and ensure a successful vote of Tailwind's shareholders. We understand that Tailwind's existing shareholders

also indicated that they preferred liquidity to exposure to Allen-Vanguard. In addition, of the maximum $100 million to be raised under the exercise of the rights offered to Allen-Vanguard's shareholders, only $14.1 million or 14% was taken up, which I understand was primarily by one shareholder.

17. During the course of the negotiations over the Tailwind Agreement, Versa was contacted by Tailwind and its advisors as a potential investor to assist in the stock transfer process, and came forward as a party interested in Allen-Vanguard, although not on the terms of the Tailwind Transaction. On April 6, 2009, Tailwind terminated the Tailwind Transaction as it did not believe it could have a successful shareholder vote before April 17, 2009. At that time Tailwind agreed to waive its exclusivity rights to allow Versa to investigate an alternative transaction.

18. Given Allen-Vanguard's defaults under the terms of the Amended Credit Agreement, as set out in paragraphs 83 through 91 of the Luxton Affidavit, any transaction, other than one which would refinance and repay the Amended Credit Agreement in full and without compromise on the part of the Secured Lenders, would require an agreement with the Secured Lenders. Accordingly, during the fourth phase of the Investor Process, Allen-Vanguard, Versa and the Secured Lenders engaged in discussions over the terms of a recapitalization of the Company and a restructuring of the secured debt owed to the Secured Lenders, which resulted in Allen-Vanguard entering into the Transaction Agreement with the Plan Sponsor and the Secured Lenders on September 12, 2009.

19. I understand that, under the terms of the Transaction Agreement, the Secured Lenders, which I understand have first-ranking security over all of the assets of Allen-Vanguard

and its material subsidiaries, have agreed to accept compromises upon the completion of the Transaction, including but not limited to:

(a) permanently foregoing approximately US$7,150,000 of the Existing Term Loan owed to the Secured Lenders;

(b) permanently waiving approximately CDN$6,800,000 of fees owed to the Secured Lenders;

(c) converting a portion of Allen-Vanguard's indebtedness under the Amended Credit Agreement into a 3.5 year restructured term loan on terms more favourable to Allen-Vanguard (including reduced loan amortization and interest rates and less restrictive covenants);

(d) providing, a new US$30,000,000 revolving credit facility and a new US$10,000,000 letter of credit facility to Allen-Vanguard to finance its business going forward;

(e) agreeing to the cancellation, for no consideration or compensation of any kind, of all of their Warrants; and

(f) allowing the general unsecured creditors and employees of Allen-Vanguard to be unaffected so as to preserve the going forward potential of Allen-Vanguard, despite the compromises being incurred by the senior, first-ranking Secured Lenders.

20. In addition, as outlined herein, the Secured Lenders have also agreed to make the Interim Funding of CDN$16,000,000 available to Allen-Vanguard until the closing of the Transaction.

21. I further understand that, pursuant to the Transaction Agreement, the Plan Sponsor, among other things, will:

(a) pay US$20,000,000 (subject to increase to up to US$25,000,000 in certain circumstances in accordance with the terms of the Transaction Agreement) to Allen-Vanguard by way of an equity contribution, $5,000,000 of which shall be paid by Allen-Vanguard to the New Facility Lenders as a permanent reduction under the New Facility revolver; and

(b) effect a US$54,300,000 permanent reduction of the Existing Term Loan debt owed to the Secured Lenders by assuming from the Senior Lenders an equivalent amount of their existing indebtedness, and converting it to subordinated debt.

22. Pursuant to the Plan, all equity securities of Allen-Vanguard, including common shares, Options, Warrants and RSUs will be cancelled or transferred for no consideration to the holders thereof, such that, at closing, the Plan Sponsor will become the new owner of all of the outstanding shares of the Company in exchange for its investment into the Company.

23. During the course of the Investor Process, Genuity received some general feedback from prospective investors concerning Allen-Vanguard:

(a) there were a number of concerns about the revenue stability and outlook, particularly since any recurring revenue was not secured;

(b) there was a lack of visibility of timing on large program orders;

(c) there had been "misses" on quarterly forecast in almost every quarter;

(d) there was uncertainty around future United States military activities given the expected (and ultimately actual) change in presidential administration;

(e) there was concern that the competitive environment for electronic counter-measures suggests that securing new programs and orders will be challenging;

(f) several parties indicated that they might be prepared to explore a transaction to acquire the bank debt at a discount to par value (with no value to shareholders), but ultimately none (other than the Plan Sponsor) did.

IV. REASONABLENESS OF THE TRANSACTION

24. As noted above, the Transaction Agreement is the culmination of a long process undertaken by the Company and its Board to seek a transaction to recapitalize Allen-Vanguard and allow it to continue as a going concern so as to best preserve value for the economic stakeholders of Allen-Vanguard.

25. In expressing the view to the Board that there is no reasonable basis on which to anticipate the emergence of a transaction that is superior to the transaction contemplated by the Transaction Agreement, Genuity took into account and was guided by the following factors as set out in the Transaction Review:

(a) the Company is overleveraged as evidenced by the following factors:

(i) Net Debt/LTM EBITDA –10.9x

(ii) Net Debt / FY2009E EBITDA –7.3x

(iii) EBITDA / Interest –1.55x

(iv) Cash Flow from Operations / Interest –negative

(b) the Company is in default of certain covenants under its agreements with the Secured Lenders;

(c) the Company has not been able to make principal repayments to the Secured Lenders since June 2008;

(d) management has indicated that liquidity is expected to run out in the short term in the absence of a consensual restructuring;

(e) the Company's EBITDA forecast for FY2009 is $30.5 million;

(f) under the terms of the Transaction, the Secured Lenders are willing to accept compromises of the amounts owed to them under the Amended Credit Agreement, and are willing to accept favourable modifications to the terms thereof for the remaining term of the loan with the Company which are acceptable to the Company and the Plan Sponsor (including reduced loan amortization and interest rates and less restrictive covenants);

(g) the Company has been the subject of an extensive process to seek equity investors for over a year, much of which has been public; and

(h) the Transaction values the Company at 7.7x 2009 EBITDA, which is above the average level of defence companies, none of which are facing a similar debt or liquidity situation.

26. Given the debt and liquidity situation of Allen-Vanguard, Genuity is of the view that there is no reasonable basis to believe that any further marketing process, given the current liquidity situation of Allen-Vanguard and the defaults by Allen-Vanguard under the Amended Credit Agreement with the Secured Lenders, would result in the emergence of a transaction superior (or even comparable) to the Transaction, or that would permit a restructuring that would see any recovery of value to Allen-Vanguard's shareholders.

SWORN BEFORE ME
in the City of Toronto,
in the Province of Ontario
on December 8, 2009

Barry I. Goldberg

Commissioner for taking Affidavits

JOSIAH THOMAS MACQUARRIE,
A COMMISSIONER, ETC.,
PROVINCE OF ONTARIO,
WHILE A STUDENT-AT-LAW.
EXPIRES MAY 28, 2011.

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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 A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

AFFIDAVIT OF BARRY GOLDBERG

LANG MICHENER LLP
Brookfield Place
P.O. Box 747
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Toronto, Ontario
M5J 2T7

Alex Ilchenko
Telephone: (416) 307-4116
Fax: (416) 365-1719
Law Society No.: 33944Q

Lawyers for the Applicant

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

affidavit of **Doreen Navarro**

sworn before me, this 26th day

of November 2013.

A Commissioner for Taking Affidavits

Court File No.

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

AFFIDAVIT OF GLENN SAUNTRY

(sworn December 8, 2009)

I, GLENN SAUNTRY, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Vice Chair of Investment & Corporate Banking of Nesbitt Burns Inc. ("**Nesbitt**") and have been with Nesbitt since 1992. Prior to being the Vice Chair, I was co-head of Investment & Corporate Banking Canada and prior to that I was head of Nesbitt's mergers and acquisitions practice. Nesbitt was engaged by Royal Bank of Canada, as Administrative Agent for a syndicate of secured lenders (the "**Secured Lenders**") of Allen-Vanguard Corporation (the "**Company**"), by letter agreement dated June 19, 2009 to, *inter alia*, assist the Secured Lenders in assessing the strategic alternatives available to the Company. A copy of a redacted version of the Nesbitt engagement letter is attached hereto as **Exhibit "A"**. As such, I have personal knowledge of the matters to which I hereinafter depose, except where my knowledge is based on information and belief, in which case I believe such information to be true.

2. All capitalized terms not defined herein shall have the meanings ascribed to such terms in the affidavit of David E. Luxton, President and Chief Executive Officer of the Company, sworn December 8, 2009.

3. Nesbitt is the leading restructuring financial advisor and is one of the leading mergers and acquisitions groups in Canada. Nesbitt has advised on more restructuring mandates than all of its competitors combined, including AbitibiBowater, T. Eaton Company, Calpine, Tembec, SemGroup, Stelco and Ivaco, all of which I have advised on personally. I have also advised on a significant number of mergers and acquisitions transactions including the proposed sale of BCE to Ontario Teachers Pension Fund, the sale of Canada Life to Great West Life (and the defence from Manulife), the sale of Atlas Cold Storage Income Fund and Billiton's acquisition of Rio Algom.

4. This affidavit is filed in support of Allen-Vanguard's application for relief pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-43, as amended ("**CCAA**") in order to allow the Company to recapitalize through a Plan of Arrangement and Reorganization which will only compromise the debt held by the Affected Creditors, being the Secured Lenders, in an effort to allow the Company to continue as a going concern.

5. Shortly after the Company's proposed arrangement with Tailwind Financial Inc. ("**Tailwind**") failed, Nesbitt was retained by the Secured Lenders to advise on the financial position of the Company and the alternatives available to best maximize the value of the Company. Nesbitt also reviewed the process undertaken by Genuity Capital Markets ("**Genuity**") and RBC Capital Markets on behalf of the Company to find an investor to recapitalize the Company.

6. Nesbitt assisted the Secured Lenders in negotiating the Transaction Agreement between the Company, the Secured Lenders and Contego AV Investments, LLC, an affiliate of Versa Capital Management, Inc. (the "**Plan Sponsor**"). The Transaction Agreement represents the best alternative to recapitalize the Company and maintain its operations as a going concern. Pursuant to the Transaction Agreement, the Secured Lenders agreed to provide additional funding to the Company and relax the Secured Lenders' ability to call a default of the Company's obligations to the Secured Lenders until closing. The Secured Lenders also agreed to compromise their indebtedness in exchange for, inter alia, the Plan Sponsor's equity contribution and injection of subordinated debt. Without the

additional financial support from the Secured Lenders, which is only available as part of the Transaction Agreement, the Company would not be able to manage its cash flow to maintain its operations.

7. I have reviewed the Affidavit of Barry Goldberg of Genuity (the "**Goldberg Affidavit**") filed in respect of this matter. I agree that the value attributed to the Company by the Transaction Agreement exceeds the average EBITDA multiple for similar defence companies of a similar size.

8. I also agree with Mr. Goldberg's conclusion that any additional market process conducted while the Company is in CCAA is extremely unlikely to yield a better or even similar alternative to the Transaction. Any marketing process would take a minimum of three to four months to conclude. During that time, it is likely that the value of the Company will continue to deteriorate while it is under CCAA protection. This deterioration would occur because the Company supplies systems which require after market support and the highly concentrated customer base would become increasingly reluctant to buy products from the Company if its business viability is in question. Furthermore, the Company's suppliers could demand "cash on delivery" which would create a liquidity issue for the Company. Lastly, there is no assurance whatsoever that the Transaction, or the accommodations granted to the Company by the Secured Lenders in connection with the Transaction, would still be available to the Company at the conclusion of any such further market process.

9. I do not believe that there would be any transaction that could be completed which would provide value to the shareholders of the Company.

SWORN BEFORE ME
in the City of Toronto,
in the Province of Ontario
of December 8th, 2009

Commissioner for taking Affidavits

Annette Melinda Fournier, a Commissioner, etc.,
City of Toronto, for ThorntonGroutFinnigan LLP,
Barristers and Solicitors.
Expires November 9, 2010.

GLENN SAUNTRY

This is Exhibit "**G**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

This is Exhibit "**F**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No.

Allen-Vanguard Corporation.

PROPOSED MONITOR'S FIRST REPORT TO COURT

December 8, 2009

Court File No.

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

FIRST REPORT TO THE COURT SUBMITTED BY DELOITTE & TOUCHE INC. IN ITS CAPACITY AS PROPOSED MONITOR ("PROPOSED MONITOR")

INTRODUCTION

1. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Initial Order or in the affidavit of Mr. David Luxton sworn December 8, 2009 (the "**Luxton Affidavit**") filed in support of the application for the Initial Order and the Plan of Arrangement and Reorganization for the Applicant (the "**Plan**"), filed as part of the application for the Companies' Creditors Arrangement Act ("**CCAA**") proceedings.

2. This report is filed with this Honourable Court for the purpose of advising the Court in respect of a number of factual and procedural matters listed in paragraph 3 below, and to provide the Proposed Monitor's recommendations regarding the proposed Initial Order and the Plan. Given the timing of the CCAA process proposed by the Applicant, this Report is also being filed pursuant to section 23(1) of the CCAA in respect of the proposed Plan Filing and Meeting Order and the meeting of Affected Creditors to vote on the Plan, and will be referred to in respect of the sanction motion for the Plan if approved by the Affected Creditors, as anticipated.

3. The topics covered in the Report include the following:

   (i) The Proposed Monitor's prior relationship with the Company;

   (ii) The business, financial affairs and financial results of the Company;

   (iii) History of actions taken and alternatives considered by the Company and its advisors to resolve financial challenges;

   (iv) The Transaction Agreement and the proposed Transaction;

   (v) The Plan;

   (vi) Position of the Secured Lenders if a transaction is not completed;

(vii) The Proposed Monitor's estimated liquidation analysis of the Company;

(viii) The Company's Cash Flow Forecast;

(ix) Charges in the draft Initial Order;

(x) Considerations regarding Plan implementation; and

(xi) The Proposed Monitor's Conclusion and Recommendation.

4. In preparing this Report, the Proposed Monitor has relied upon unaudited interim financial information, Company records, the Luxton Affidavit, the sworn affidavit of Mr. Barry Goldberg of Genuity Capital Markets dated December 8, 2009 (the **"Goldberg Affidavit"**), the sworn affidavit of Mr. Glenn Sauntry of BMO Nesbitt Burns Inc. (**"Nesbitt"**) dated December 8, 2009 (the **"Sauntry Affidavit"**) and discussions with management of the Company and their financial and legal advisors. While the Monitor has reviewed the information, some in draft format, submitted in the abridged time available, the Proposed Monitor has not performed an audit or other verification of such information. Future oriented financial information included in the Report is based on Company management's assumptions regarding future events, and actual results achieved will vary from this information and the variations may be material.

THE PROPOSED MONITOR'S PRIOR RELATIONSHIP WITH THE COMPANY

5. Deloitte & Touche LLP has provided consulting services to the Company in regard to cash management, budgeting, taxation, and financial advisory services over the past two years in addition to assisting in the preparation of corporate tax returns and impairment analyses of goodwill and intangibles, but has not acted in the capacity of an auditor or an accountant. The Proposed Monitor does not consider these prior services to give rise to a conflict of interest nor would these services affect the Proposed Monitor's ability to act independently and to properly consider the interests of the Company and its stakeholders. The Proposed Monitor and its counsel are of the view that the prior involvement of Deloitte & Touche LLP with the Company would not compel a court to disqualify Deloitte & Touche Inc. from acting in the capacity of monitor of the Company in the circumstances of this case pursuant to section 11.7(2)(a) of the CCAA.

6. The Company's auditor is KPMG LLP.

THE BUSINESS, FINANCIAL AFFAIRS AND FINANCIAL RESULTS OF THE COMPANY

7. The head and registered office of the Company is located at 2400 St. Laurent Boulevard, Ottawa, Ontario K1G 6C4. The Company is a corporation governed by the Ontario *Business Corporations Act* (**"OBCA"**). As per the Luxton Affidavit, there are currently approximately 543 employees worldwide with approximately 306 employees located within Canada (See Appendix "A" for current organization chart).

8. The Company is a public company on the Toronto Stock Exchange (**"TSX"**) under the symbol VRS. The Company was delisted on the close of business on October 21, 2009.

9. The Company develops and markets technologies, tools and training for defeating and minimizing the effects of improvised explosive devices, other hazardous devices and materials, whether chemical, biological, radiological

or nuclear. The Company's primary customers include the US federal government, the US military, major suppliers to the US military, and numerous other governments and their respective agencies around the world.

10. In June and September 2007, the Company acquired Hazard Management Solutions Limited ("**HMSL**") and Med-Eng Systems Inc. ("**Med-Eng**"), respectively. The total combined acquisition cost of these companies was approximately $660.0 million, of which a significant portion was financed through term and subordinated debt.

11. In preparing the financial statements for December 2007, the Company realized it was in default of certain financial covenants under its debt facility and accordingly, the Company's lender at the time provided a waiver of these defaults and amended the financial covenants under the debt facility for its remaining term.

12. Several months following the entering of a new debt agreement in May 2008 (the "**Initial Credit Agreement**") with the Company's current lenders (the "**Secured Lenders**"), the Company could not meet its debt payment obligations due on September 30, 2008 and entered into a series of arrangements with the Secured Lenders to defer principal repayments and financial covenant conditions and related fees, among other things.

13. On December 29, 2008, the Company entered into an amended and restated credit agreement (the "**Amended Credit Agreement**"), which amended and restated the Initial Credit Agreement with more relaxed covenants. As part of the Amended Credit Agreement, certain members of the Secured Lenders (the "**New Facility Lenders**") also agreed to make available to the Company a new operating loan (the "**New Facility Revolver**") and a letter of credit facility.

14. In connection with the New Facility Revolver, the Company was required to complete one or more debt or equity financings (each a "**Capital Raise**") and use some or all of the proceeds thereof to permanently reduce the principal amount outstanding under the Amended Credit Agreement by at least US$50.0 million (the "**Minimum Payment**"), at the latest by September 30, 2009.

15. If the Company had not completed a Capital Raise and made the US$50.0 million Minimum Payment by September 30, 2009, then the Secured Lenders could, in certain circumstances, cause the Existing Term Loan (of US$185.0 million) to become due and payable on demand on January 31, 2010.

16. The Company was subsequently unable to complete the Capital Raise and make the US$50.0 million Minimum Payment by September 30, 2009. As of the date of this report, the Lenders have not enforced certain specified remedies available to them in the expectation that the Transaction Agreement and the Plan will be approved.

17. In addition to being unable to complete a Capital Raise or make the Minimum Payment, the Company also defaulted on the terms of the Amended Credit Agreement. On June 29, 2009, the Company announced that it had reached an agreement with the Secured Lenders that the US$4.8 million quarterly principal payment that was due June 30, 2009 would be deferred until September 30, 2009 and that the testing of certain financial covenants would also be deferred. The Secured Lenders granted additional accommodations to the Company on July 10, 2009, July 24, 2009, August 19, 2009 and August 27, 2009.

18. The following table sets out selected consolidated financial information for the periods indicated. The selected consolidated financial information below has been derived from the corresponding consolidated financial statements and accompanying notes for the indicated periods.

Summary of Annual Operating Results
(Amounts in thousands of Canadian dollars)

	Q3 FY2009	FY2008	FY2007	FY2006
Revenues	$180,574	$309,005	$96,172	$56,844
EBITDA	25,854	51,031	10,029	4,276
Free Cash Flow available for debt repayments	$(5,905)	$21,072	$(8,459)	$1,737

19. As of June 30, 2009, and as reflected in notes to the interim financial statements of the Company for the nine months ended June 30, 2009, the Company owed an aggregate amount of approximately $232 million, not including accrued fees or interest, to the Secured Lenders and had a working capital deficiency of approximately $31 million. The Luxton Affidavit stated that Allen-Vanguard owed the principal amount of US$199,174,639 (excluding accrued fees, accrued interest and other charges) to the Secured Lenders as at June 30, 2009. The amount disclosed in the interim financial statements is consistent with that reported in the Luxton Affidavit using the then currency rate of $1.163.

20. As shown in the table above, given the level of free cash flows, the Company has not had the available cash flow to service its debt obligations and has been reliant on waivers of financial covenants and amendments to its facilities with the Secured Lenders. The Secured Lenders also agreed to provide the Company with an additional operating credit facility (the "**Interim Funding**") as part of the Transaction Agreement (as defined below) as the Company could not continue to operate to a closing of the Transaction (as defined below) without additional liquidity.

21. With the Company's significant debt-load, its financial position has become increasingly dire throughout 2009. The waivers and amendments referred to above together with the provision of the Interim Funding have allowed the Company to continue operating.

22. On September 12, 2009, the Company announced that the Company, the Secured Lenders and Contego AV Investments, LLC (the "**Plan Sponsor**"), an affiliate of Versa Capital Management, Inc. ("**Versa**"), had entered into a binding transaction agreement (the "**Transaction Agreement**") setting out the terms and conditions for the proposed transaction pursuant to which the Plan Sponsor would provide a capital injection to reduce the debt owed to the Secured Lenders and assume a portion of that debt on a subordinated basis, if the Plan is approved by the Court and implemented in accordance with the terms of the Transaction Agreement (the "**Transaction**"). The Transaction Agreement and the Transaction are described in greater detail later in this report.

23. The Proposed Monitor understands that for more than a year (approximately eighteen months), the Company conducted a rigorous search for additional capital to pay down the secured debt owed to the Secured Lenders. At the end of this lengthy process, as we will discuss further, the Plan Sponsor is the only investor willing and able to commit to the binding terms of an agreement acceptable to the Secured Lenders and the Company.

HISTORY OF ACTIONS TAKEN AND ALTERNATIVES CONSIDERED BY THE COMPANY AND ITS ADVISORS TO RESOLVE FINANCIAL CHALLENGES

24. In order to address its need for additional capital and liquidity, the Company retained RBC Dominion Securities Inc. ("**RBC Capital Markets**") in June 2008 to act as financial advisor to the Company and to assist the Company in a search for private investment into the Company.

25. The Proposed Monitor has been advised, that during the months of July and August 2008, the Company had discussions with three (3) potential investors which resulted in the Company receiving one (1) expression of interest for a significant investment position in the Company. In August 2008, the Company received a non-binding term sheet from one of the potential investors with terms based on advanced due diligence already substantially completed by the investor, and with an intended closing date before September 30, 2008 (the "**First Offer**"). However, the final terms proposed by the investor differed materially from the initial proposal and the board of directors of the Company (the "**Board**") rejected the First Offer on the basis that it was not in the best interest of the Company's stakeholders.

26. Following the rejection of the First Offer, the Company with the assistance of RBC Capital Markets, expanded its search for other options and opportunities. In our discussions with management, the Proposed Monitor was advised that the Company made investor presentations to a number of identified potential investors.

27. In September 2008, the Company also retained Genuity Capital Markets ("**Genuity**") to act as a financial co-advisor with RBC Capital Markets in connection with its efforts to raise additional capital and liquidity.

28. The Proposed Monitor has been advised that in late October 2008, representatives of Tailwind Financial Inc. ("**Tailwind**") met with Genuity to discuss potential opportunities for Tailwind at which time Genuity discussed the possibility of a transaction involving Tailwind and the Company. Tailwind is a special purpose acquisition company ("**SPAC**") that was required to complete a transaction by April 17, 2009. On November 18, 2008, a Letter of Intent was signed with Tailwind. Our review of the non-binding Letter of Intent indicated that it allowed the Company and its financial advisors to continue to pursue certain opportunities to find investors.

29. We understand that in November 2008, during discussions with the Secured Lenders for revised lending terms, the Company reviewed various options including:

    - Rights Offering to Raise Equity;
    - Business Combination with a SPAC;
    - Sale of a Business Division; or
    - Joint Venture of a Business Division.

30. In late January 2009, the Company entered into a definitive agreement (the "**Tailwind Agreement**") with a closing set for mid April 2009 under which:

    - Tailwind would acquire, under a potential plan of arrangement, 100% of the issued and outstanding shares of the Company;
    - The Company would become a wholly-owned subsidiary of Tailwind and the current shareholders of the Company would exchange their Company shares for Tailwind shares; and;
    - As a consequence of the dilutive effect of the proposed transaction with Tailwind, the Company had presented a Rights Offering to its shareholders to mitigate the dilution. However, the response to the Rights Offering was limited.

31. In early April 2009, the Company announced that the arrangement agreement in respect of the announced plan of arrangement among the Company, Tailwind and AV Acquisition Corp. (the "**Tailwind Arrangement**") was terminated and that the Tailwind Arrangement would not proceed. Tailwind advised the Company that it did not believe that it could obtain sufficient shareholder support within the required time to complete the Tailwind Arrangement.

32. Management has advised us that throughout the process from June 2008 to April 2009, the Company had a number of discussions with several strategic buyers, including key customers and other security and defense companies. These discussions did not lead to any concrete interest from such parties.

33. In addition, the Proposed Monitor has been advised that the significant efforts of the Company and its financial advisors to find alternatives to provide liquidity for debt reduction, which included private placement, rights offerings, or potential joint ventures with a strategic partner, had resulted in the following:

    - Over 125 potential investors were contacted of which approximately 40 executed Non-Disclosure Agreements and approximately 20 had started some form of due diligence. Over 115 of these potential investors were contacted directly by RBC Capital Markets and Genuity, with the balance of investors being contacted by Tailwind principals and their advisors;
    - The Proposed Monitor understands that Versa first became aware of the opportunity to invest in the Company through Tailwind's process to attract shareholders;
    - None of the parties, other than the provider of the First Offer, Tailwind and the Plan Sponsor, actually made an offer to the Company; and
    - Several parties indicated that they may have been prepared to consider a transaction to acquire the Secured Lenders' debt at a significant discount (with no value to shareholders), although none of these parties actually made a binding offer to do so (other than the Plan Sponsor).

34. In summary, the lack of interest to acquire or to invest in the Company was explained by the following investor feedback, as reported by Genuity in the Affidavit of Barry Goldberg, Principal and Head of Financial Restructuring at Genuity, filed in these proceedings:

    - Uncertainties around revenue stability and outlook;
    - Lack of visibility on timing of large orders;
    - Inability to achieve forecasted quarterly revenues for most of the previous two years; and
    - Uncertainty regarding the competitive environment.

35. In June 2009, the Secured Lenders retained the services of Nesbitt to among other things, advise and assist the Secured Lenders in analyzing all strategic alternatives available to the Company, including alternatives to raise capital and/or sell the Company in whole or in part. Nesbitt's views and conclusions regarding the process conducted and the proposed Transaction are set forth in the Affidavit of Glenn Sauntry, Vice Chair of Investment & Corporate Banking of Nesbitt, filed in these proceedings.

THE TRANSACTION AGREEMENT

36. Subsequent to the termination of the agreement with Tailwind the Company announced that it had entered into an exclusivity agreement with Versa, during which time Versa undertook discussions with the Company's stakeholders and performed due diligence with the objective of entering into a binding agreement pursuant to which the Plan Sponsor (or its nominee) would become the new owner of the Company in exchange for agreeing to fund its recapitalization and reorganization.

37. On September 12, 2009, the Company announced the signing of the Transaction Agreement with the Plan Sponsor and all the members of the Secured Lenders pursuant to which, among other things, the Plan Sponsor would provide a new equity contribution and a junior term loan to reduce the Company's existing secured indebtedness. In particular:

- The Secured Lenders would forego a portion of the existing debt and fees owed to them; and
- The remainder of the existing debt would be converted into a multi-year restructured term loan with terms more favourable to the Company and a new revolving credit facility and documentary credit facility.

A copy of the Transaction Agreement was posted on SEDAR on September 22, 2009.

38. Under the terms of the Transaction Agreement, the Secured Lenders, which have first-ranking security over substantially all of the assets of the Company, agreed to a number of significant compromises in order to facilitate the completion of the restructuring contemplated by the Transaction Agreement and the Plan (the "**Transaction**"). Among other things, the Secured Lenders agreed, upon Court approval of the Plan, to:

    - forego approximately $14 million (in debt and fees) owed to the Secured Lenders by the Company;
    - convert the balance of the secured debt of the Company into a restructured term loan on terms that are materially more favourable to the Company (including reduced loan amortization and interest rates and less restrictive financial covenants);
    - provide a new US $30 million revolving line of credit;
    - provide a new US $10 million letter of credit facility;
    - provide the Interim Funding to the Company of up to the US dollar equivalent of $16 million pending completion of the Transaction Agreement;
    - The Secured Lenders would agree to the cancellation without compensation of all of their warrants in the Company; and
    - All securities of the Company, and any claims related thereto, will be cancelled, transferred or discharged for no consideration such that the Plan Sponsor will become the new owner of 100% of the reorganized Company.

39. As discussed above, without the Interim Funding, the Company could not meet its operating commitments including payroll and would potentially be forced to cease operations in short order. In addition, the Company believes that, in the absence of the Transaction Agreement, it will not be able to meet its financial obligations as they become due and will likely be unable to continue to carry on business beyond the very short term.

40. We understand that since the Transaction Agreement was announced in September 2009, no other party has come forward to propose an alternative offer.

41. The Proposed Monitor believes that the Company conducted, with the assistance of its financial advisors, a comprehensive process to maximize the value of the business for the benefit of stakeholders. The Transaction Agreement with the Plan Sponsor is the best offer obtained from that process. This transaction was approved by all of the Secured Lenders, notwithstanding the fact that the members of the Secured Lenders are expected to forego a portion of their secured loans under the terms of the Transaction and are expected to refinance the business going-forward, together with the Plan Sponsor.

THE PLAN

42. Only the Secured Lenders will be affected creditors under the Plan (the "**Affected Creditors**"). The points below summarize additional key elements of the Plan.

43. The Affected Creditors (i.e. the Secured Lenders) are the only class of affected creditors under the Plan. As discussed in greater detail above, the Secured Lenders will forego a portion of its existing debt and fees and the

remainder of the existing debt will be converted into a multi-year restructured term loan with terms more favourable to the Company and a new revolving credit facility and a new documentary credit facility.

44. All other creditors, including unsecured creditors, will not be affected by the Plan.

45. The only other affected stakeholders are the holders of equity interests and equity claims. As discussed above, the existing equity in the Company (shares, options, restricted stock, warrants and any other securities in the Company), and any rights, claims or interests associated therewith, will be cancelled, transferred or discharged for no consideration so that the Plan Sponsor can become the 100% new owner of the Company, as contemplated and required by the terms of the Transaction Agreement in connection with the recapitalization.

46. In October 2009, a Notice of Action was served on the Company. The Notice of Action is seeking approximately $80.0 million in damages from the Company and other named parties. The Statement of Claim was served on the Company on November 27, 2009. This claim is an equity claim and as such, pursuant to section 6(8) of the CCAA, no Plan can be sanctioned by the Court unless it provides that all claims that are not equity claims are paid in full before any equity claim is paid. As the Secured Lenders are being compromised pursuant to the Plan, this equity claim, like any and all other equity claims, will not receive any distribution from the Plan and, under the terms of the Plan and the Sanction Order, the Company will be discharged of all such claims.

POSITION OF THE SECURED LENDERS IF A TRANSACTION IS NOT COMPLETED

47. In the event that the Transaction is not completed, and absent any proceedings to restrict the exercise of contractual rights against the Company, the Secured Lenders have the right to request the immediate repayment of the Interim Funding. In addition, the interest payments that have been deferred would be immediately payable. In addition, the full principal amount of US$185 million under the Existing Term Loan could become payable on January 31, 2010. If the Transaction is not completed, the Company will not be in a position to meet these obligations and could well be forced into liquidation.

THE PROPOSED MONITOR'S ESTIMATED LIQUIDATION ANALYSIS OF THE COMPANY

48. Based on the latest available financial statements for the Company, as at June 30, 2009, the Company had total liabilities of approximately $315 million, of which the Secured Lenders' claim represents approximately $232 million, not including accrued fees or interest. A summary of the Company's financial results as at June 30, 2009 are included in Appendix "B".

49. The Proposed Monitor's legal counsel, Ogilvy Renault LLP, has conducted reviews of the security held by the Secured Lenders and concluded, based on its review, that the security has been duly registered, filed and recorded in the province of Ontario and creates a valid and binding obligation enforceable against a trustee in bankruptcy of the Company.

50. As at June 30, 2009, the Company had written-down the value of the intangible assets and associated goodwill of the HMSL and Med-Eng transactions by approximately $516 million in accordance with Canadian Generally Accepted Accounting Principles ("**GAAP**"). The book value of the Company's tangible assets totaled approximately $123 million. Based on the Proposed Monitor's estimated liquidation analysis using information provided by the Company, the liquidation value of the Company would be substantially below the book value of the tangible assets. Even if the realization on the tangible assets was 100%, the Secured Lenders would still suffer a significant shortfall in excess of $100 million.

51. As a result, in the event of the Company's liquidation, the Affected Creditors would be significantly worse off than under the Plan, and the unsecured creditors would receive no recovery on their claims. Consequently, the shareholders would also suffer a complete loss of their investment and no recovery on the equity claims.

52. A liquidation would also put at risk the Company's approximately 543 employees worldwide and would also have a significant impact on the customers and suppliers.

53. In addition, the Goldberg Affidavit states that it is Genuity's view that given the debt and liquidity situation of the Company, there is no reasonable basis to believe that any further marketing process would result in the emergence of a transaction superior (or even comparable) to the Transaction, or that would permit a restructuring that would see any recovery of value to the Company's current shareholders. The Sauntry Affidavit agrees with Mr. Goldberg's conclusion.

THE COMPANY'S CASH FLOW FORECAST

54. The statement of projected cash flow of the Company as of the 4th day of December, 2009 ("**Cash Flow Statement**"), attached as Appendix "C" to this report, has been prepared by the management of the Company for the purpose described in the Notes to the Cash Flow Statement, using Probable and Hypothetical Assumptions set out in the Notes to the Cash Flow Statement.

55. The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussions related to information supplied to us by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash Flow Statement.

56. Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

    a) The Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;
    b) As at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the Hypothetical Assumptions; or
    c) The Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

57. Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

58. The Cash Flow Statement has been prepared solely for the purpose described in the Notes on the face of the Cash Flow Statement, and readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

59. The Company's Cash Flow Statement is for a period of thirteen (13) weeks from December 4, 2009 to February 26, 2010. The key assumptions used in the Cash Flow Statement are based on a revised fiscal year 2010 Operating Plan. As such, estimated revenues for the first quarter are $40.4 million. As at November 27, 2009, invoicing for the quarter totaled $10.9 million and $20.2 million of backlog was expected to be shipped during the remainder of the quarter. As such, incremental sales of $9.3 million are required before December 31, 2009 to reach the Company's sales target. The Company's management believes that the sales forecast are reasonable.

60. The Company anticipates tighter payment terms for purchases following the announcement of the CCAA proceedings. As such, the Company has anticipated certain purchase orders planned for the weeks ending December 18, 2009 to January 22, 2010 may have to be paid upon delivery.

61. The Cash Flow Statement shows the Company's use of its Interim Funding to fund the Company's working capital requirements for the duration of the CCAA proceedings.

62. Based on discussions with management of the Company, there are no plans to disclaim or resiliate any agreements as part of the Plan. As such, the Cash Flow Statement does not include any payments for disclaimers or resiliation of any agreements.

63. In addition, based on discussions with management of the Company, there are no known assignments of any agreement as part of the Plan.

CHARGES IN THE DRAFT INITIAL ORDER

64. The draft Initial Order provides for a charge in the amount of $150,000 for the Proposed Monitor, counsel to the Proposed Monitor, and the Applicant's counsel as security for their professional fees and disbursements incurred before and after the making of the Initial Order in respect of these CCAA proceedings (the "**Administration Charge**"). The Administration Charge has been established based on the respective professionals' previous history and experience with restructuring of similar magnitude and complexity. The Proposed Monitor believes the Administration Charge is required and is reasonable under the circumstances.

65. The directors' and officers' charge ("**D&O Charge**"), as described in the Luxton Affidavit and the draft Initial Order, provides for a charge in the amount of $750,000 as security for various indemnities provided to the directors and officers by the Applicant in the draft Initial Order.

66. The Proposed Monitor has been advised that the D&O Charge is necessary for the continued service of the Applicant's directors and officers during the Company's restructuring and that the quantum has been calculated relative to certain employee-related obligations of the Applicant for which the directors and officers may be held liable.

67. Given that the Applicant will require the committed involvement of its directors and officers to successfully restructure, the Proposed Monitor believes the D&O Charge is required under the circumstances. The Proposed Monitor has not been provided with detailed information on a per employee basis in order to calculate the potential exposure. However, the Applicant has provided a summary overview of the potential liabilities for the directors and officers which supports the quantum requested.

CONSIDERATIONS REGARDING PLAN IMPLEMENTATION

68. The Transaction Agreement between the Company, the Plan Sponsor and the Secured Lenders is contingent upon a reorganization through a restructuring in order to ensure the Company's future viability.

69. The Proposed Monitor was informed that all of the members of the Secured Lenders support the Plan. As a result, the Proposed Monitor expects that the Plan will be approved at the creditors' meeting as this is the only option that has been presented to ensure the Company's viability going forward.

70. If the Company does not proceed with the Plan, it is likely that the Company will be unable to continue in its current form as the Company is significantly overleveraged and cannot meet its obligations to its creditors. It has not been able to make a principal repayment since June 2008 and has significant liquidity issues.

71. In the event that the Transaction Agreement is not completed, the Secured Lenders have the right to request the immediate repayment of the Interim Funding. In addition, interest payments have been deferred and are payable if the Plan is not completed or if the Transaction Agreement is terminated. In addition, the full principal amount of US$185 million under the Existing Term Loan could become payable on January 31, 2010. In the event that the Transaction Agreement cannot be completed, the Company would not be in a position to meet its obligations and could be forced into liquidation.

72. The time table for the completion of the proposed CCAA Proceeding is very short. If this process was delayed, the Company will have difficulty maintaining its revenue base and creditors from foreign jurisdictions may seek other available remedies which could further delay the Company in implementing the Plan. The impact of a delay in closing of the Transaction Agreement is not reflected in the Company's Cash Flow Statement.

73. The Proposed Monitor understands that the members of the Secured Lenders are fully aware of the terms of the Plan and therefore the Proposed Monitor considers it timely and appropriate to convene the Creditors' Meeting as soon as reasonably practicable after the commencement of the CCAA proceedings and in the manner proposed under the terms of the draft Plan Filing and Meeting Order.

THE PROPOSED MONITOR'S CONCLUSION AND RECOMMENDATION

74. As mentioned in this report, the Company's financing and sale process has been extensive. Over the past eighteen (18) months the Company has retained professional advisors, including RBC Capital Markets and Genuity, to assist in finding either new investment for the Company or a purchaser. The Proposed Monitor understands that for more than a year, the Company has conducted a rigorous search for additional capital to pay down its senior secured debt. At the end of this lengthy process, the Plan Sponsor is the only investor willing and able to commit to the binding terms of an agreement.

75. The Proposed Monitor believes that the Company has conducted, with the assistance of its financial advisors, a process to maximize the value of the business for the benefit of all stakeholders. The Transaction Agreement with the Plan Sponsor is the best offer obtained from that process, which was approved by the Secured Lenders with the support of their financial advisor, Nesbitt, notwithstanding the fact that the members of the Secured Lenders are expected to forgo a portion of their secured loans under the terms of the Transaction and are expected to refinance the business going-forward, together with the Plan Sponsor.

76. The due diligence of the current proposed Transaction Agreement was commenced by the Plan Sponsor in April 2009 following the termination of the Tailwind Agreement. The due diligence required was extensive, but has

resulted in the current Plan. The Proposed Monitor has not been informed of any other investors currently pursuing the Company.

77. There is only one (1) class of creditor being affected by the Plan, and that class is supportive of the Transaction and is willing to continue supporting the Company subsequent to the Plan's implementation.

78. Other stakeholders of the Company will benefit from implementation of the Plan including employees, customers and suppliers.

79. The Proposed Monitor believes that the Plan is the best course of action for the Company. The Plan is more beneficial to the creditors than a sale or liquidation under the *Bankruptcy and Insolvency Act*. There is no value for the shareholders or other security holders under any available or achievable scenario and, therefore, it is reasonable that their equity interests in, and any equity claims against, the Company be extinguished such that the Plan Sponsor can become the new owner of the Company in exchange for its significant investment into the Company for purposes of funding the Plan and the recapitalization of the Company that is necessary under the circumstances.

80. Absent the Transaction and the Plan, the Company will be faced with the possible liquidation and cessation of its businesses in the very near term. Implementation of the Transaction represents the best available recovery for the Company's various stakeholders.

81. Therefore, the Proposed Monitor supports the Plan, and recommends that this Honourable Court grant the Initial Order, the Plan Filing and Meeting Order and, if the Affected Creditors approve the Plan at the Creditors' Meeting, the Sanction Order.

The Proposed Monitor respectfully submits to the Court this, its First Report.

Dated this 8th day of December, 2009.

Deloitte & Touche Inc.,
In its capacity as Proposed Court-appointed Monitor of
Allen-Vanguard Corporation

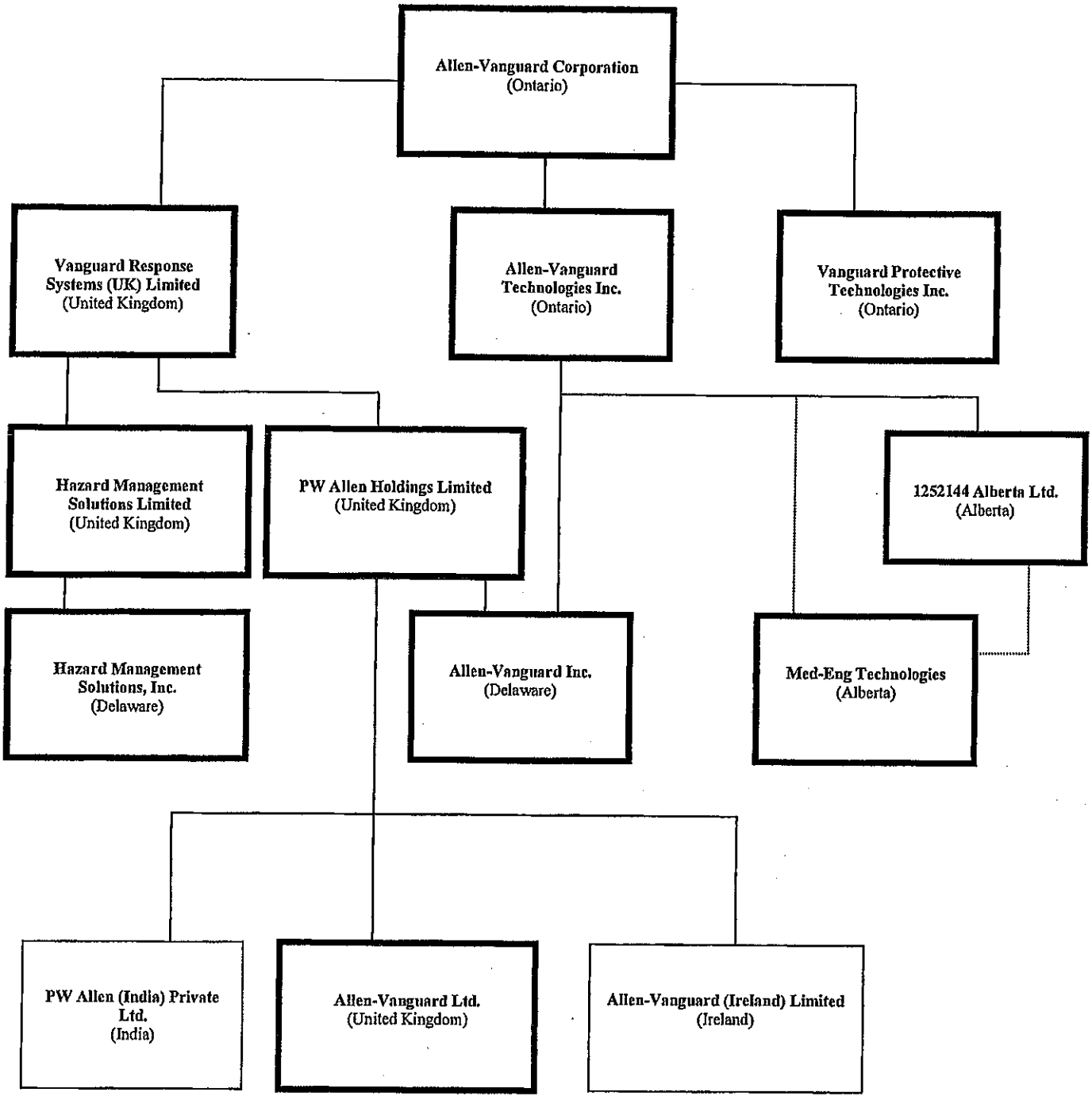
Per:

Pierre Laporte
President

Per:

David Boddy
Vice President

Appendix A


Allen-Vanguard Corporation
(Ontario)
Vanguard Response Systems (UK) Limited
(United Kingdom)
Allen-Vanguard Technologies Inc.
(Ontario)
Vanguard Protective Technologies Inc.
(Ontario)
Hazard Management Solutions Limited
(United Kingdom)
PW Allen Holdings Limited
(United Kingdom)
1252144 Alberta Ltd.
(Alberta)
Hazard Management Solutions, Inc.
(Delaware)
Allen-Vanguard Inc.
(Delaware)
Med-Eng Technologies
(Alberta)
PW Allen (India) Private Ltd.
(India)
Allen-Vanguard Ltd.
(United Kingdom)
Allen-Vanguard (Ireland) Limited
(Ireland)

Appendix B

Balance Sheet

	FY08	FY09		
Financial Forecast	FY08 *Actual*	Dec-08 *Actual*	Mar-09 *Actual*	Jun-09 *Actual*
ASSETS				
Current				
Cash	8,522	15,275	6,570	1,971
Restricted cash	4,065	4,782	5,242	5,452
Short-term investments	-	-	-	-
Accounts receivable	29,547	41,203	35,841	35,943
Inventories	36,157	33,423	32,763	34,598
Prepaid expenses and other	2,618	2,921	2,863	3,597
Income taxes recoverable	9,755	9,755	9,744	9,455
Future income taxes	13,506	16,670	13,826	4,957
	104,170	124,029	106,849	95,973
Future income taxes	12,699	9,696	9,562	10,209
Non-current restricted cash	1,976	1,808	1,118	652
Property and equipment	16,693	15,443	14,983	14,337
Goodwill	82,333	82,333	78,384	67,041
Intangibles assets	206,942	203,172	197,299	74,709
Income taxes recoverable	-	-	-	-
Other long-term assets	2,321	2,044	1,898	1,697
	427,134	436,525	410,093	264,618
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Line of credit	6,088	16,443	13,496	17,212
New facility/revolver		-	-	-
Accounts payable	36,516	16,778	9,275	15,495
Accrued liabilities	-	35,216	33,734	30,554
Income taxes payable	16,098	21,653	20,993	21,439
Deferred Revenue	13,098	6,252	4,103	2,281
Current portion of long-term debt	10,327	17,804	30,632	39,512
	84,127	114,146	112,233	126,493
Future income taxes	62,021	61,517	59,151	22,220
Long term debt	184,495	196,212	191,589	166,324
	330,643	371,875	362,973	315,037
Shareholders' equity				
Capital stock	543,982	543,982	543,990	543,990
Subordinated debt	-	-	-	-
Equity from Versa	-	-	-	-
Stock options	4,298	5,020	5,530	6,091
Warrants	26,213	29,633	29,633	30,306
Contributed surplus	737	737	737	737
Accumulated other comprehensive income	12	12	12	12
Retained earning (Deficit)	(478,751)	(512,734)	(532,782)	(631,555)
	96,491	66,650	47,120	(50,419)
	427,134	438,525	410,093	264,618

Income Statement

Income Statement					
	FY08	FY09			
		Q1 -09	Q2 -09	Q3 -09	
Financial Forecast	FY08 *Actual*	Q1 -09 *Actual*	Q2 -09 *Actual*	Q3 -09 *Actual*	*YTD*
Revenue					
Survivability and Tactical Systems	72,360	17,923	19,489	25,212	62,624
Other	2,140	-	-	-	-
Electronic Systems	199,465	40,404	24,188	9,685	74,277
Systems and Services	35,040	14,383	12,878	12,083	39,344
Revenue	309,005	72,710	56,555	46,980	176,245
Gross profit	-				
Survivability and Tactical Systems	29,009	7,401	7,107	10,851	25,359
Other	382	-	-	-	-
Electronic Systems	90,950	16,652	10,231	2,829	29,712
Systems and Services	1,769	5,191	3,766	1,458	10,415
Gross Profit	122,110	29,244	21,104	15,138	65,486
Gross Profit %	39.5%	40.2%	37.3%	32.2%	37.2%
Operating expenses					
Selling and administration	53,603	10,992	7,927	10,076	28,995
Research and development costs	17,476	3,295	4,529	2,813	10,637
	71,079	14,287	12,456	12,889	39,632
EBITDA	**51,031**	**14,957**	**8,648**	**2,249**	**25,854**
EBITDA %	16.5%	20.6%	15.3%	4.8%	14.7%
Interest on debt	22,103	4,624	4,964	4,721	14,309
Realized foreign exchange loss (gain)	(8,916)	(665)	1,272	2,565	3,172
Unrealized foreign exchange loss	18,929	30,164	6,682	(18,857)	17,989
Stock based compensation and bonuses	3,821	793	450	550	1,793
Other interest (income)	(1,135)	(119)	(65)	217	33
Amortization of property and equipment	4,509	1,653	1,441	1,461	4,555
Acquisition and financing related charges and amortization	146,842	7,278	7,159	6,677	21,114
Amortization of intangible assets and impairment losses	380,033	20	6,029	130,285	136,334
	566,186	43,748	27,932	127,619	199,299
		-	-		
Earnings (loss) from operations	**(515,155)**	**(28,791)**	**(19,284)**	**(125,370)**	**(173,445)**
Non-operating items					
Professional Fees - Restructuring	-	1,391	814	287	2,492
Fees - Equity Financing	-	-	-	-	-
Restructuring costs	1,542	-	-	-	-
	1,542	1,391	814	287	2,492
Earnings (loss) after non-operating items	**(516,697)**	**(30,182)**	**(20,098)**	**(125,657)**	**(175,937)**
Provision for (recovery of) income taxes	(80,368)	3,821	(481)	(26,473)	(23,133)
					-
Net income (loss)	**(436,329)**	**(34,003)**	**(19,617)**	**(99,184)**	**(152,804)**

Appendix C - The Cash Flow Statement

Proposed Monitor's Report on Cash Flow

The statement of projected cash flow ("**Cash Flow Statement**") of this report of the Company as of the 4th day of December, 2009 has been prepared by the management of the Company for the purpose described in Notes to the Cash Flow Statement, using Probable and Hypothetical Assumptions set out in the Notes to the Cash Flow Statement.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by certain of the management and employees of the Company. Since Hypothetical Assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. We have also reviewed the support provided by management of the Company for the Probable Assumptions, and the preparation and presentation of the Cash Flow Statement.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

a) The Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;
b) As at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow Statement, given the Hypothetical Assumptions; or
c) The Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

Since the Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by us in preparing this report.

The Cash Flow Statement has been prepared solely for the purpose described in Notes on the face of the Cash Flow Statement, and readers are cautioned that it may not be appropriate for other purposes.

Appendix C (con't)

Allen-Vanguard Corporation
Weekly Cashflow
(In 000s CAD)

For the week ending	Week 1 04/12/2009	Week 2 11/12/2009	Week 3 18/12/2009	Week 4 25/12/2009	Week 5 01/01/2010	Week 6 08/01/2010	Week 7 15/01/2010	Week 8 22/01/2010	Week 9 29/01/2010	Week 10 05/02/2010	Week 11 12/02/2010	Week 12 19/02/2010	Week 13 26/02/2010
Opening cash balance (incl. o/s checks)	5,472	2,564	5,830	3,036	2,863	1,662	1,510	(106)	3,043	2,951	4,601	10,280	12,948
Forecasted Cash receipts:													
Current A/R Collections - AVTI	2,442	164	513	379	1,447	1,190	1,232	650	22	32	-	-	153
Current A/R Collections - AV Corp	-	-	-	-	1	-	-	-	-	-	-	-	-
Current A/R Collections - AV Inc	4	37	38	0	36	19	30	-	-	-	-	-	-
Current A/R Collections - AV Ltd/Ireland	367	3,811	220	-	20	311	678	-	-	-	-	-	-
Current A/R Collections - HMS	219	514	1,243	157	688	34	-	-	-	-	-	-	-
Forecasted A/R Collections - Electronic Systems	-	-	-	-	-	-	-	-	144	1,584	3,081	84	-
Forecasted A/R Collections - SS	-	-	-	-	-	-	-	-	907	2,187	2,400	3,173	333
Forecasted A/R Collections - S & S	-	-	-	-	-	-	-	-	1	1,530	2,410	855	1,015
Budgeted Sales Collections	-	-	-	-	-	-	-	5,400	5,200	46	46	46	46
Budgeted Sales Adjustment													
Corporate Tax Refund / (Payment)	(29)	(541)	-	(30)	-	-	-	-	(30)	-	-	-	(30)
VAT/GST Refund	-	44	-	162	-	44	-	-	170	44	-	-	170
Interest Revenue	6	-	-	-	5	1	-	-	-	6	-	-	-
Transfers In/Out	0	-	-	-	-	-	-	-	-	-	-	-	-
I/C Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CASH RECEIPTS	3,008	4,030	2,014	668	2,157	1,598	1,939	6,050	6,415	5,729	7,536	4,156	1,717
Forecasted Cash disbursements:													
Current A/P Vendor Payments - AVTI	659	484	586	255	149	199	5	-	-	-	-	-	-
Current A/P Vendor Payments - AV Corp	209	2	19	46	6	-	-	-	-	-	-	-	-
Current A/P Vendor Payments - AV Inc	11	10	7	12	2	1	-	-	-	-	-	-	-
Current A/P Vendor Payments - AV Ltd/Ireland	701	27	207	10	93	-	97	-	-	-	-	-	-
Current A/P Vendor Payments - HMS	123	19	6	211	-	-	132	-	-	-	-	-	-
Proforma Payments			360	549	231	227	131	179					
Projected Purchases - Booked Orders - North America	-	4	0	28	274	99	973	931	159	-	-	154	-
Projected Purchases - Booked Orders - UK	-	-	90	90	90	112	21	143	251	138	165	187	39
Projected Purchases - Highly Probable Orders - North America	-	104	-	-	30	0	8	13	147	31	29	6	1
Projected Purchases - Highly Probable Orders - UK	-	-	-	-	-	-	-	-	-	-	-	-	-
Budgeted Purchases	-	-	-	-	-	-	-	-	-	-	-	38	38
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AVTI	204	840	20	20	30	-	10	20	20	30	10	20	20
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Corp	22	25	25	25	25	25	25	25	25	25	25	25	25
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Inc	1	3	-	1	-	3	-	1	-	-	3	1	-
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Ltd/Ireland	25	5	7	3	7	19	7	3	3	20	5	7	3
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - HMS	155	12	73	60	133	100	88	212	218	124	38	35	96
Goods Received and Not Yet Invoiced - North America	-	21	0	0	143	85	39	224	-	-	-	-	-
Goods Received and Not Yet Invoiced - UK	-	-	71	13	47	50	54	49	79	-	-	-	-
Other Accruals	111	-	-	-	-	-	-	-	-	-	-	-	-
Payroll (incl. Pension, Benefits and Remittances)	1,236	-	4,220	113	1,351	62	1,458	467	1,778	63	1,484	471	1,778
Sales Commissions	291	-	5	-	-	-	5	-	-	-	5	-	-
Employee Expense Reports	30	172	23	227	97	22	51	42	110	52	51	22	116
Rent	28	-	23	197	19	-	-	153	18	19	-	153	18
Insurance	123	88	8	12	14	0	94	-	-	-	68	8	-
Utilities	2	3	4	14	-	3	0	4	7	-	3	4	11
Bank Charges	5	5	-	-	5	4	1	-	8	2	-	-	-
Restructuring - Severance and Notice	36	-	134	33	17	-	15	-	46	-	12	-	40
Restructuring - Professional Fees	-	-	-	-	-	200	59	75	50	75	-	-	-
Restructuring - Other	270	100	59	399	30	100	-	-	-	100	-	-	-
Professional Fees	30	232	108	285	295	25	25	25	25	405	25	25	25
Principal Payment on Term Loan	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest Payment on Debt Facility (incl. related fees)	-	-	-	-	-	-	-	-	-	-	-	-	-
R&D	-	33	33	33	33	33	33	33	33	33	33	33	33
Capital Expenditures	-	102	102	102	102	102	102	102	102	102	102	102	102
Misc. Op Expenses	-	200	200	200	200	200	200	200	200	200	200	200	200
I/C Disbursements (incl. interest payments)	-	416	-	-	35	-	-	-	44	-	-	-	35
Principal Payment on Old Revolver	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CASH DISBURSEMENTS	4,303	2,907	6,401	2,944	3,418	1,651	3,655	2,902	3,322	1,426	2,259	1,490	2,560
Funds received from Credit Facility	-	2,123	1,592	2,123	-	-	-	-	-	-	-	-	-
Repayment of Credit Facility	1,592	-	-	-	-	-	-	-	3,185	2,654	-	-	-
Ending cash balance, projected	2,564	5,830	3,036	2,863	1,662	1,510	(106)	3,043	2,951	4,601	10,280	12,948	12,085
Less new facility drawn down	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)	(15,179)
Less Interim Funding Drawn down	-	(2,123)	(3,715)	(5,838)	(5,838)	(5,838)	(5,838)	(5,838)	(2,654)	-	-	-	-
Ending cash balance (adjusted, excluding new facility drawn-down and interim funding drawn-down)	(12,595)	(11,472)	(15,859)	(18,134)	(19,355)	(19,408)	(21,123)	(17,975)	(14,882)	(10,578)	(4,900)	(2,232)	(3,095)

Appendix C (con't)

NOTES TO THE CASH-FLOW STATEMENT

NOTE A – PURPOSE

The purpose of these cash-flow projections is to determine the liquidity requirements of the Company during the CCAA proceedings.

NOTE B - DEFINITIONS

(1) CASH-FLOW STATEMENT
In respect of a Company, means a statement indicating, on a weekly basis (or such other basis as is appropriate in the circumstances), the projected cash-flow of the Company as defined in section 2(1) of the Act based on Probable and Hypothetical Assumptions that reflect the Company's planned course of action for the period covered.

(2) HYPOTHETICAL ASSUMPTIONS:
Means assumptions with respect to a set of economic conditions or courses of action that are not necessarily the most probable in the Company's judgment, but are consistent with the purpose of the Cash-Flow Statement.

(3) PROBABLE ASSUMPTIONS:
Means assumptions that:

(i) The Company believes reflect the most probable set of economic conditions and planned courses of action, **Suitably Supported** that are consistent with the plans of the Company; and
(ii) Provide a reasonable basis for the Cash-Flow Statement.

(4) SUITABLY SUPPORTED:
Means that the Assumptions are based on either one or more of the following factors:

(i) The past performance of the Company;
(ii) The performance of other industry/market participants engaged in similar activities as the Company;
(iii) Feasibility studies;
(iv) Marketing studies; or
(v) Any other reliable source of information that provides objective corroboration of the reasonableness of the Assumptions.

The extent of detailed information supporting each Assumption, and an assessment as to the reasonableness of each Assumption, will vary according to circumstances and will be influenced by factors such as the significance of the Assumption and the availability and quality of the supporting information.

NOTE C - ASSUMPTIONS

Assumptions	Source	Probable Assumption	Hypothetical Assumption
Opening cash balance (incl. o/s checks)	Based on current bank balances and outstanding checks ledger	X	
Exchange Rate	Exchange rates are updated weekly to Bank of Canada	X	

<table>
<tr><td></td><td>quoted rates as of the prior Friday (November 27, 2009) close of business rates</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td><u>Forecast Cash receipts:</u></td><td></td><td></td><td></td></tr>
<tr><td>Current A/R Collections - AVTI</td><td rowspan="5">Based on each entity's accounts receivable ledger.

Collections are based on individual payment terms and frequent discussions with customers by accounts receivable clerks.

Projected collections are updated weekly.</td><td rowspan="5">x</td><td rowspan="5"></td></tr>
<tr><td>Current A/R Collections - AV Corp</td></tr>
<tr><td>Current A/R Collections - AV Inc</td></tr>
<tr><td>Current A/R Collections - AV Ltd/Ireland</td></tr>
<tr><td>Current A/R Collections - HMSL</td></tr>
<tr><td>Forecast A/R Collections - TS (incl. US)</td><td rowspan="3">Based on backlog for each product line, populated by the operations and sales department.

Collections are based on estimated shipping date and estimated days sales outstanding of 60 days (with the exception of Lockheed Martin – 30 days).

Certain items are manually updated in the forecast as significant delays in shipment are not necessarily timely updated in the backlog ledger.</td><td rowspan="3">x</td><td rowspan="3"></td></tr>
<tr><td>Forecast A/R Collections - Electronic Systems</td></tr>
<tr><td>Forecast A/R Collections - SS</td></tr>
<tr><td>Forecast A/R Collections - S & S</td><td></td><td></td><td></td></tr>
<tr><td>Budgeted Sales Collections</td><td>Represent incremental sales required to meet management's budgeted sales for each month. This is calculated as follows:

• Budgeted sales = Budget – Invoiced – Backlog

Monthly forecast revenues are as follows:
<table>
<tr><th></th><th>Nov. '09</th><th>Dec. '09</th><th>Jan. '10</th><th>Feb. '10</th></tr>
<tr><td>SS</td><td>5,831</td><td>7,927</td><td>8,441</td><td>9,568</td></tr>
<tr><td>S&S</td><td>3,481</td><td>2,835</td><td>5,440</td><td>3,880</td></tr>
<tr><td>ES</td><td>1,307</td><td>14,181</td><td>500</td><td>2,300</td></tr>
<tr><td>Total</td><td>10,619</td><td>24,943</td><td>14,381</td><td>15,748</td></tr>
</table>
Management updates its monthly budget figures by product line periodically.

Collections are based on estimated days sales outstanding of 60 days.</td><td></td><td>X</td></tr>
<tr><td>Budgeted Sales Adjustment</td><td>These adjustments are made to reflect historic cash collection in order to smooth weekly collections.</td><td></td><td>x</td></tr>
<tr><td>Corporate Tax Refund / (Payment)</td><td>Management and tax professionals' best estimate of payments/refunds based on historical and forecast operational results.</td><td>x</td><td></td></tr>
<tr><td>VAT/GST Refund</td><td>Estimated refunds forecast by each entity based on returns actually filed.</td><td>x</td><td></td></tr>
<tr><td>Interest Revenue</td><td>Estimated interest earned on outstanding bank balances.</td><td>x</td><td></td></tr>
<tr><td>Transfers In/Out</td><td>Transfers between various entities and bank accounts.</td><td>x</td><td></td></tr>
<tr><td>L/C Receipts</td><td>Cash receipt for outstanding collateralized letters of credit. The timing is based on the letters of credit termination</td><td>x</td><td></td></tr>
</table>

	date and estimated time for funds to be released to AV.		
Forecast Cash disbursements:			
Current A/P Vendor Payments - AVTI Current A/P Vendor Payments - AV Corp Current A/P Vendor Payments - AV Inc Current A/P Vendor Payments - AV Ltd/Ireland Current A/P Vendor Payments - HMSL	Based on each entity's accounts payable ledger. Disbursements are based on specific payment terms. Forecast payments are updated weekly.	X	
Proforma Payments Projected Purchases - Booked Orders - North America Projected Purchases - Booked Orders - UK Projected Purchases - Highly Probable Orders - North America Projected Purchases - Highly Probable Orders - UK	Based on purchase orders for each entity. These orders are derived from the backlog and inventory replenishment requirements. Payments are based on the forecast receipt date and estimated days payable outstanding ranging from 30 to 45 days (based on specific payment terms) with the exception of certain purchases for the weeks ending December 18, 2009 to January 22, 2010 which have been forecasted to be paid upon delivery. These purchases are included in the "Proforma Payments" line.	X	
Budgeted Purchases	Estimated material purchases required for the budgeted sales estimates. Budgeted purchases are calculated using estimated gross margin and material component (as a % of total COGS) for each product line: • TS – Gross margin 42% and material (% of COGS) 90%; • ES – Gross margin 42% and material (% of COGS) 95%; • SS – Gross margin 41% and material (% of COGS) 90%; and • S&S – Gross margin 30% and material (% of COGS) 5%. Payments are based on the required lead time to manufacture the products (4-8 weeks) for each product line and estimated days payable outstanding of 30 -50 days (consistent with experience during period Jan to May 2009)	X	
Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AVTI Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Corp Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Inc Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - AV Ltd/Ireland Operational Expenses - Projected A/P Not Yet Invoiced or Recorded - HMSL	Forecast recurring operational costs (office supplies, maintenance, telecommunication, vehicle leases, etc.) that are not included in the current accounts payable ledger (invoice not received or invoice not entered in accounting system)	X	
Goods Received and Not Yet Invoiced	Based on each entity's goods received not yet invoiced	X	

- North America	ledger.		
Goods Received and Not Yet Invoiced - UK	Payment is based on 7 days between reception date and invoice date with an additional 45 days payable outstanding.		
Other Accruals	Accruals for vendor payments to be paid by Allen Vanguard UK	x	
Payroll (incl. Pension, Benefits and Remittances)	Payroll is calculated by payroll administration based on estimated headcount and compensation levels for the forecast period. Payments are based on each entity's pay cycle (bi-weekly in North American and monthly in the UK). These amounts also include bonus payments (based on HR estimates), health insurance costs (based on policies) and pension (based on forecast contributions).	x	
Sales Commissions	Commission amounts and payments are based on estimated sales level and payment terms from the sales force contracts.	x	
Employee Expense Reports	Based on each entity's historical expense report payment and employee travel requirements.	x	
Rent	Based on lease agreements for all facilities.	x	
Insurance	Based on current agreements with Marsh Canada and CAFO.	x	
Utilities	Based on historical monthly or bi-monthly utility costs.	x	
Bank Charges	Based on current banking agreements (minimal fees).	x	
Restructuring - Severance and Notice	Payments relating to prior restructuring plans estimated by HR.	x	
Restructuring - Professional Fees	Restructuring amounts for management advisors, syndicate advisors, corporate counsel and investment bankers based on management's estimates and signed agreements.	x	
Restructuring - Other	Restructuring amounts relating to the Versa transaction for management advisors, syndicate advisors, corporate counsel and investment bankers based on management's estimates and signed agreements. Closing fees for the transaction have not been included in the forecast (approximately $15 million)	x	
Professional Fees	Audit, tax, goodwill impairment and other professional fees estimated by management. Carlyle fees ($1.8 million) for previous financing/restructuring work are forecast to be paid at the end of the forecast.	x	
Principal Payment on Term Loan	As per latest amended lending agreements, no principal repayments are forecast until June 2010.	x	
Interest Payment on Debt Facility (incl. related fees)	As per the transaction term sheet with the Secured Lenders, interest is deferred until the transaction is completed.	x	
	Interest calculations are based on current lending agreements (premiums) and current US Base Rate.	x	
R&D	R&D expenses are estimated at $33,000 per week for the entire forecast period. This is significantly lower than the operating plan.	x	
Capital Expenditures	Capital expenditures are estimated at $102,000 per week	x	

	for the entire forecast period. This is slightly lower than the operating plan.		
Misc. Op Expenses	Miscellaneous operating expenses are estimated at $200,000 per week and are a contingency for any unexpected costs. These were added to the cash flow as per the Secured Lenders' advisors request.	X	
L/C Disbursements (incl. interest payments)	Cash disbursement to collateralize letters of credit required for specific international contracts.	X	
Principal Payment on Old Revolver	No principal repayments are forecast for the old revolver as per the latest funding agreements.	X	

Court File No. CV-09-00008502-00CL

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

APPLICANT

PLAN OF ARRANGEMENT AND REORGANIZATION
concerning, affecting and involving

ALLEN-VANGUARD CORPORATION

December 9, 2009

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ALLEN-VANGUARD CORPORATION

PLAN OF ARRANGEMENT AND REORGANIZATION

This is the plan of arrangement and reorganization of Allen-Vanguard Corporation pursuant to the *Companies' Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Ontario).

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan, unless otherwise stated or unless the subject matter or context otherwise requires:

"**Affected Claims**" means, collectively, the Claims of the Secured Lenders against the Allen-Vanguard Parties (or any of them) under the Existing Credit Agreement.

"**Affected Creditor**" means a Person with an Affected Claim.

"**Agent**" means Royal Bank of Canada in its capacity as agent for the Secured Lenders under the Existing Credit Agreement and the Credit Agreement, as applicable.

"**Allen-Vanguard Parties**" means the Company, each of the guarantors under the Existing Credit Agreement and each of the Company's other direct or indirect subsidiaries.

"**Articles of Reorganization**" means the articles of reorganization of the Company, and the schedules and exhibits thereto, substantially in the form attached hereto as Schedule A, to be filed pursuant to Section 186 of the OBCA and in accordance with Section 5.1 and Section 8.2(2).

"**Assignment Agreement**" means the assignment agreement to be entered into among the Affected Creditors and the Sponsor Subsidiary, substantially in the form attached hereto as Schedule E, which shall become effective on the Plan Implementation Date and pursuant to which, among other things, the second lien debt to be issued under the Second Lien Credit Agreement will be assigned by the Affected Creditors to the Sponsor Subsidiary.

"**BIA**" means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3.

"**Business Day**" means a day other than a Saturday or Sunday on which banks are generally open for business in Toronto, Ontario.

"**CCAA**" means the *Companies' Creditors Arrangement Act* (Canada), R.S.C. 1985, c. C-36, as amended.

"**CCAA Charges**" means the charges created by the Initial Order and defined as the "CCAA Charges" therein.

"**CCAA Proceedings**" means the within proceedings under the CCAA commenced by the Company pursuant to the Initial Order.

"**CDN$**" means Canadian dollars.

"**Certificate of Amendment**" means the certificate of amendment to be issued under Section 186 of the OBCA in respect of the Articles of Reorganization.

"**Claim**" includes any right of a Person against the Company in connection with any indebtedness, liability or obligation of any kind whatsoever of the Company, whether or not asserted, and any interest accrued thereon or costs payable in respect thereof, any right of ownership of or title to property or assets or to a trust, constructive trust or deemed trust (statutory or otherwise) against any property or assets whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise and whether or not such right is executory or anticipatory in nature, including without limitation, any claim arising from or caused by the termination, disclaimer or repudiation by the Company of any contract, lease or other agreement, whether written or oral, any claim made or asserted against the Company through any affiliate, associated or related person as such terms are defined in the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44, as amended, or any "equity claim" as such term is defined in the CCAA, or any right or ability of any Person to advance a claim for an accounting, reconciliation, contribution, indemnity, restitution or otherwise with respect to any matter, grievance, action (including any class action or proceeding before an administrative tribunal), cause or chose in action, whether existing at present or commenced in the future, together with any other claims of any kind that, if unsecured, would be a debt provable in bankruptcy within the meaning of the BIA.

"**Common Shares**" means all of the common shares in the capital of the Company transferred to the Sponsor Subsidiary pursuant to the implementation steps set out in Section 8.2(2) and the Articles of Reorganization.

"**Common Share Claims**" has the meaning ascribed thereto in Section 7.2(i).

"**Company**" means Allen-Vanguard Corporation, a company amalgamated under the OBCA.

"**Contracts**" means any contract, license, lease, agreement, undertaking, understanding, commitment or engagement to which any of the Allen-Vanguard Parties are a party or bound or under which any of the Allen-Vanguard Parties have or will have any rights.

"**Court**" means the Ontario Superior Court of Justice, Commercial List.

"**Credit Agreement**" means the credit agreement to be entered into among the Company, the guarantors thereunder, the Agent, the Secured Lenders and EDC, substantially in the

form attached hereto as Schedule B, which shall become effective on the Plan Implementation Date and pursuant to which, among other things: (i) the indebtedness of the Company to the Secured Lenders pursuant to the Existing Credit Agreement will be partially reduced and restructured as contemplated by the Transaction Agreement, and (ii) the New Revolving Lenders, together with EDC as set forth therein, will make available to the Company, the Revolving Credit Facility, the Term Loan Facility and the Documentary Credit Facility..

"**Documentary Credit Facility**" means the documentary credit facility which shall become effective under the Credit Agreement and pursuant to which the New Revolving Lenders will make available to the Company a documentary credit facility in an aggregate principal amount of up to US$10 million.

"**EDC**" means Export Development Canada.

"**Effective Time**" means the first moment in time on the Plan Implementation Date.

"**Equity Claims**" means any and all Securities Claims and Common Share Claims.

"**Existing Credit Agreement**" means the amended and restated credit agreement dated as of December 29, 2008 among the Allen-Vanguard Parties and the Secured Lenders, as amended from time to time.

"**Governmental Authority**" means the government of Canada or any other nation, or of any political subdivision thereof, whether state, provincial, territorial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, or other comparable authority or agency.

"**Initial Order**" means the initial Order of the Court made December 9, 2009 pursuant to which, among other things, the Company was granted protection under the CCAA, as such Order may be amended or extended by the Court from time to time.

"**Intercreditor Agreement**" means the intercreditor agreement to be entered into among the Company, EDC, the First Lien Agent and the Second Lien Agent (as such terms are defined therein), substantially in the form attached hereto as Schedule C, which shall become effective on the Plan Implementation Date.

"**Interim Funding Agreement**" means the agreement entered into among the Company and the Secured Lenders whereby the Secured Lenders granted an interim funding credit facility to the Company limited to the US$ equivalent of CDN$16 million on the terms outlined therein.

"**Meeting**" means the meeting of the Affected Creditors to consider and vote on this Plan pursuant to the CCAA and the terms of the Meeting Order, and any adjournments of such meeting.

"**Meeting Order**" means the Order to be made directing the calling and holding of the Meeting, as such Order may be amended by the Court from time to time.

"**Monitor**" means Deloitte & Touche Inc., in its capacity as Court-appointed monitor of the Company pursuant to the Initial Order, and any successor thereto appointed in accordance with any further Order.

"**New Revolving Lenders**" has the meaning ascribed thereto in the Transaction Agreement.

"**New Shares**" means the additional common shares in the capital of the Company to be issued to the Sponsor Subsidiary pursuant to the implementation steps set out in Section 8.2(2).

"**OBCA**" means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended.

"**Order**" means any order of the Court in the CCAA Proceedings.

"**Person**" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, joint venture, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, corporation, trust, trustee, body corporate, Governmental Authority, legal personal representative or litigation guardian, or any other entity howsoever designated or constituted, and where the context requires includes any assignee, trustee, executor, administrator, receiver, interim receiver, receiver and manager or other legal representative acting on behalf of such Person, collectively "**Persons**".

"**Plan**" means this plan of compromise and arrangement under the CCAA and reorganization under the OBCA, including the Schedules hereto, as may be amended hereinafter from time to time in accordance with Section 9.1.

"**Plan Implementation Date**" means the date that the Transfer Notice is delivered by the Company in accordance with the Articles of Reorganization which, unless the Plan Participants otherwise agree, shall occur not later than two (2) Business Days after the date upon which the Certificate of Amendment is received by the Company.

"**Plan Participants**" means the Company, the Sponsor and the Secured Lenders.

"**Released Claims**" has the meaning ascribed thereto in Section 8.6.

"**Released Parties**" means, collectively, the Allen-Vanguard Parties, the Secured Lenders, the Agent, the Sponsor, the Sponsor Subsidiary, Versa Capital Management, Inc., Deloitte & Touche Inc. in its capacity as the Monitor, the Transfer Agent, and each of their respective subsidiaries and affiliates, and each of their respective present and former partners, officers, directors, equity holders, employees, financial advisors, auditors, legal counsel, other professional advisors and agents, as applicable.

"**Reorganization**" means the reorganization of the share capital of the Company described in Article 5 as ordered by the Court under the Sanction Order and Section 186 of the OBCA and as reflected in the Articles of Reorganization, with effect as of the Effective Time.

"**Restructuring Documents**" means, collectively, the Credit Agreement, the Second Lien Credit Agreement, the Intercreditor Agreement, the Assignment Agreement and all related agreements, security and other documents.

"**Revolving Credit Facility**" means the revolving credit facility which shall become effective under the Credit Agreement and pursuant to which the New Revolving Lenders together with EDC, on the terms set forth in the Credit Agreement, will make available to the Company a revolving credit facility in the maximum principal amount of up to US$30 million.

"**Sanction Order**" means an Order to be made to, among other things, sanction, authorize and approve this Plan and the Reorganization and the transactions contemplated herein and thereby, as such Order may be amended by the Court from time to time.

"**Second Lien Credit Agreement**" means that certain credit agreement by and among the Company, the Sponsor as agent for the lender parties thereunder, the Affected Creditors and the guarantors thereunder, substantially in the form attached hereto as Schedule D, which shall become effective on the Plan Implementation Date.

"**Secured Lenders**" means, collectively, Royal Bank of Canada, Canadian Imperial Bank of Commerce, The Bank of Nova Scotia, Bank of Montreal, Bank of America, N.A., Canada Branch, Sumitomo Mitsui Banking Corporation of Canada and State Bank of India (Canada).

"**Securities**" means all securities of the Company issued prior to the Effective Time, including preferred shares, options, restricted share units, warrants, convertible securities, exchangeable securities and any other entitlements to or rights to acquire any of the foregoing or any common shares of the Company, but excluding the New Shares and the Common Shares.

"**Securities Claims**" has the meaning ascribed thereto in Section 7.2(g).

"**Sponsor**" means Contego AV Investments, LLC.

"**Sponsor Subsidiary**" means Contego AV Luxembourg S.à r.l.

"**Term Loan Facility**" means that term loan facility deemed to have been made and fully advanced by the Secured Lenders to the Company under the Credit Agreement.

"**Term Sheet**" means the Term Sheet attached as Schedule A to the Transaction Agreement.

"**Transaction Agreement**" means the binding agreement dated September 12, 2009, as may be amended or supplemented from time to time, among the Allen-Vanguard Parties, the Sponsor and the Secured Lenders, including the Schedules thereto, establishing the principal aspects of the recapitalization of the Company to be effected pursuant to this Plan, the Sanction Order, the Articles of Reorganization and the Restructuring Documents.

"**Transfer Agent**" means CIBC Mellon Trust Company.

"**Transfer Notice**" means the Transfer Notice to be delivered pursuant to the Articles of Reorganization.

"**Transfer Price**" means CDN$1.00 for all of the Common Shares.

"**Unaffected Claims**" means any Claim other than an Affected Claim, but excludes, for greater certainty, any Equity Claims.

"**Unaffected Creditor**" means a Person with an Unaffected Claim, but only in respect of such Unaffected Claim, but excludes, for greater certainty, any Person holding an Equity Claim.

"**US$**" means United States dollars.

"**Website**" means www.deloitte.com/ca/allen-vanguard.

1.2 **Certain Rules of Interpretation**

In this Plan, unless otherwise stated or the context otherwise requires:

(a) the division of this Plan into articles, sections, subsections and clauses and the use of headings and a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Plan;

(b) the terms "this Plan", "hereof", "hereunder", "herein" and similar expressions refer to this Plan and not to any particular article, section, subsection, clause or schedule of or to this Plan and references in this Plan to an article, section, subsection or clause or schedule refer to the specified article, section, subsection, clause or schedule of or to this Plan;

(c) words importing the singular include the plural and *vice versa* and words importing any gender include all genders;

(d) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation but rather shall mean "includes without limitation", "including without limitation", "includes but is not limited to" and "including but not limited to", as applicable, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;

(e) a reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

(f) all references to time herein and in any document issued pursuant hereto mean local time in Toronto, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day. Unless otherwise specified, the time period within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the

period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day. Whenever any payment to be made or action to be taken under this Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day.

1.3 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the province of Ontario and the federal laws of Canada applicable therein, without regard to any conflict of law provision that would require the application of the law of any other jurisdiction. In the event of any dispute or issue in connection with, or related to, the interpretation, application or effect of this Plan, such dispute or issue shall be subject to the exclusive jurisdiction of the Court.

1.4 Schedules

The following are the Schedules to this Plan:

Schedule A	Articles of Reorganization
Schedule B	Credit Agreement
Schedule C	Intercreditor Agreement
Schedule D	Second Lien Credit Agreement
Schedule E	Assignment Agreement

ARTICLE 2
PURPOSE OF THE PLAN

2.1 Purpose

The purpose of this Plan is:

(a) to effect a restructuring and recapitalization of the Company to enable it to continue as a going concern, as contemplated by and in accordance with the terms of the Transaction Agreement;

(b) to give effect to the restructuring of the Affected Claims on the terms set forth in this Plan and the Restructuring Documents, as contemplated by and in accordance with the terms of the Transaction Agreement; and

(c) to give effect to the recapitalization of the Company's capital structure on the terms set forth in this Plan and the Articles of Reorganization, as contemplated by and in accordance with the terms of the Transaction Agreement.

This Plan is put forward in the expectation that the Company's economic stakeholders will derive a greater benefit from the continued operation of the Company and its business, pursuant to and following the implementation of this Plan, than would result from a bankruptcy or liquidation of the Company and its business.

Subject to the terms and conditions of this Plan, when all of the conditions precedent to this Plan have been satisfied or waived, in each case in accordance with the terms thereof, the Sponsor will fund the restructuring of the Affected Claims and the recapitalization of the Company's capital structure in accordance with the terms of this Plan and the Transaction Agreement. The funding of this Plan by the Sponsor is contingent on, among other things, approval of this Plan by the Affected Creditors and the Court. Upon the implementation of this Plan, the Sponsor, through the Sponsor Subsidiary, will become the owner of all of the outstanding shares of the Company through the Reorganization of the share capital of the Company pursuant to this Plan, the Sanction Order and the Articles of Reorganization.

2.2 Affected Persons

The Plan will be implemented under the CCAA and the OBCA and be binding on all Affected Creditors and other Persons in accordance with its terms as of the Effective Time on the Plan Implementation Date, but shall not affect Unaffected Creditors.

ARTICLE 3
CLASSIFICATION OF CREDITORS AND PROCEDURAL MATTERS

3.1 Class of Creditors

The sole class for the purpose of considering and voting on this Plan shall be the class consisting of the Secured Lenders voting in respect of their Affected Claims.

3.2 Voting Procedure

The Affected Creditors will identify and confirm their respective Affected Claims for voting purposes, vote in respect of the Plan, and receive the distributions provided for under this Plan in accordance with the Meeting Order, the Sanction Order and this Plan.

3.3 Finality of Claims

All Affected Claims determined in accordance with the Meeting Order will be final and binding on the Company and the Affected Creditors.

3.4 Unaffected Claims

This Plan does not affect Unaffected Claims. Creditors with Unaffected Claims will not be entitled to vote or to receive any distributions under this Plan in respect of such Unaffected Claims. For the avoidance of doubt, any Persons with Claims against the Company in respect of the Securities or the Common Shares will not be entitled to vote or to receive any distributions under this Plan in respect of any such Claims, and all such Claims will be discharged and extinguished pursuant to the terms of the Sanction Order. For the avoidance of doubt, all Claims of EDC pursuant to or in connection with (a) performance security guarantees and/or financial security guarantees issued in respect of Documentary Credits issued under the Existing Credit Agreement or the Credit Agreement, and (b) all indemnity agreements entered into with the Allen-Vanguard Parties (collectively, the "**EDC Claims**") shall be Unaffected Claims.

ARTICLE 4
COMPROMISE AND ARRANGEMENT

4.1 Transaction Agreement

Pursuant to the Transaction Agreement, the Company, the Sponsor and the Secured Lenders have agreed to the terms and conditions of this Plan and have agreed to carry out the transactions contemplated herein and hereby, in each case in accordance with the terms and conditions of the Transaction Agreement and this Plan.

4.2 Funding of this Plan

On the Plan Implementation Date, and in the manner set forth in Section 8.2(2), the Sponsor shall pay or cause to be paid to the Agent the sum of US$52.15 million required to fund the transactions set forth in Section 4.3(a).

4.3 Treatment of Affected Claims

On the Plan Implementation Date, and in the manner set forth in Section 8.2(2), the Affected Claims will be compromised, and the Affected Creditors will receive distributions in respect of their respective Affected Claims, as follows:

(a) (i) US$5 million will be distributed by the Agent among the Secured Lenders as a permanent *pro rata* reduction of the indebtedness owed to each Secured Lender under the existing "New Facility" pursuant to the Existing Credit Agreement; and (ii) US$47.15 million will be distributed by the Agent among the Secured Lenders in respect of US$54.3 million of the indebtedness owed to the Secured Lenders under the Existing Credit Agreement as follows: (A) the remainder of the indebtedness owed to each Secured Lender under the existing "New Facility" pursuant to the Existing Credit Agreement as calculated for each Secured Lender pursuant to the schedule of loan compromises and reductions set forth for each Secured Lender in Schedule TS to the Term Sheet; and (B) a portion of the indebtedness owed to each Secured Lender under the existing "Term Loan Facility" pursuant to the Existing Credit Agreement as calculated for each Secured Lender pursuant to the schedule of loan compromises and reductions set forth for each Secured Lender in Schedule TS to the Term Sheet;

(b) the Company will permanently and completely repay all indebtedness owed to the Secured Lenders under the "Interim Funding Facility" pursuant to the Interim Funding Agreement, such repayment to be funded by cash on hand at the Company and, to the extent required, drawings on the Revolving Credit Facility;

(c) the remaining Affected Claims of each Secured Lender under the existing "Term Loan Facility" and the existing "Revolving Credit Facility" pursuant to the Existing Credit Agreement will be compromised and restructured pursuant to the terms of the Credit Agreement; and

(d) each Secured Lender will permanently waive its right to receive the fees set forth in Sections 2.07(3) to (7) of the Existing Credit Agreement.

in each case consistent with the terms of the Transaction Agreement and the Restructuring Documents, and in the manner and order set forth under Section 8.2(2). For greater certainty, on the Plan Implementation Date, the Company will also pay: (i) all reasonable out-of-pocket expenses incurred by the Secured Lenders, EDC and the Agent in connection with the preparation, negotiation, execution, delivery and administration of the Plan, the Transaction Agreement and the Restructuring Documents and the completion of the recapitalization and reorganization and all other matters contemplated therein, including the reasonable fees, charges and disbursements of counsel for the Secured Lenders; (ii) all amounts owed to PricewaterhouseCoopers LLP under its agreement with the Company dated September 25, 2008; (iii) all amounts owed or payable to BMO Capital Markets under its agreement with the Company dated June 19, 2009; (iv) all amounts owed or payable to Genuity Capital Markets under its agreement with the Company dated September 18, 2008 and (v) all amounts owed or payable to the parties to the Transaction Agreement pursuant to the terms thereof (other than the transaction fee referred to in section 33(ii) of the Transaction Agreement which shall be earned by the Sponsor not sooner than thirty days following the Effective Time and paid by the Company to the Sponsor within thirty to forty-five days following the Effective Time, in accordance with section 33(ii) of the Transaction Agreement, in each case to the extent not previously paid by the Company pursuant to its obligations under the Existing Credit Agreement, the Transaction Agreement or any other applicable agreement.

4.4 Payment of Crown Priority Claims and Employee Claims

Within six months after the date of the Sanction Order, the Company will pay to Her Majesty in right of Canada or any province any amounts owed in respect of claims referred to in Section 6.(3) of the CCAA. The Company will pay, after the date of the Sanction Order, and in accordance with the provisions of the Initial Order, any amounts that employees and former employees of the Company would have been qualified to receive in respect of the claims referred to in Section 6.(5) of the CCAA, in accordance with the terms of, and in the ordinary course of, their employment.

ARTICLE 5
REORGANIZATION AND OTHER RESTRUCTURING ACTIVITIES

5.1 Articles of Reorganization

The articles of the Company will be amended as ordered by the Court by filing the Articles of Reorganization on the first Business Day following the day on which the Sanction Order is received which will provide for, without limitation to any other terms the Articles of Reorganization may contain, the following:

(a) changing the rights, privileges and conditions attaching to the Common Shares by adding certain provisions to permit a transfer of all of the Common Shares to the Sponsor Subsidiary for the Transfer Price, in the manner set forth in the Articles of Reorganization.

5.2 Directors

On the Plan Implementation Date, the term of office of those individuals who are directors of the Company will terminate and the Sponsor Subsidiary will appoint the new board of directors of the Company.

ARTICLE 6
CERTIFICATES AND DISTRIBUTIONS

6.1 Cancellation of Certificates

As of the Effective Time, all debentures, certificates, agreements, invoices, securities and other instruments evidencing Affected Claims, the Securities or the Common Shares will not entitle the holder thereof to any compensation or participation other than as expressly provided for in this Plan or the Articles of Reorganization and the Affected Claims, the Securities and the Common Shares will, except as otherwise provided for in the Restructuring Documents with respect to the Affected Claims, or in the Articles of Reorganization with respect to the Common Shares, be cancelled, extinguished, rendered null and void and the registers of the Company shall be updated to reflect any such cancellation and extinguishment.

6.2 Delivery of Distributions

Distributions to be made to Affected Creditors pursuant to Section 4.3 will be made on, or as soon as practicable after, the Plan Implementation Date.

6.3 Taxes in respect of Distributions

Notwithstanding any other provision of this Plan, each Affected Creditor that is to receive a distribution pursuant to this Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligation imposed by any Governmental Authority (including income and other tax obligations) on account of such distribution.

ARTICLE 7
SANCTION ORDER

7.1 Application for Sanction Order

The application for the Sanction Order shall be brought by the Company as soon as reasonably practicable following the approval of this Plan by the requisite majorities of the Affected Creditors voting at the Meeting.

7.2 Effect of Sanction Order

Pursuant to Section 7.1, the Company will seek a Sanction Order that, in addition to sanctioning this Plan will, without limitation to any other terms that it may contain:

(a) declare that (i) the Plan has been approved by the requisite majorities of Affected Creditors in conformity with the CCAA; (ii) the Company has complied with the provisions of the CCAA and the Orders made in the CCAA Proceedings in all respects; (iii) the Court is satisfied that the Company has not done nor purported

to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated thereby are fair and reasonable, and in the best interests of the Company, the Affected Creditors and the other stakeholders of the Company;

(b) order that the Plan (including the compromises, arrangements, reorganization, recapitalization, corporate transactions and releases set out in or contemplated by the Plan, the Sanction Order, the Articles of Reorganization and the Restructuring Documents) is sanctioned and approved pursuant to Section 6 of the CCAA and, as of the Effective Time, will be effective and will enure to the benefit of, become effective and be binding upon the Company, the Affected Creditors, the Sponsor and all other Persons in the order stipulated in the Plan;

(c) authorize and direct the distributions and other transactions contemplated under and by this Plan;

(d) declare that the articles of the Company will be amended as set out in the Articles of Reorganization;

(e) authorize and direct the Company to file the Articles of Reorganization with the Director appointed under the OBCA pursuant to section 186(4) of the OBCA in order to implement the Reorganization;

(f) declare that all Securities are of no further force and effect as of the Effective Time and that all Securities are cancelled and extinguished without return of capital or other consideration, compensation or relief of any kind;

(g) declare that all Claims against the Company (and any successor thereto or the Sponsor Subsidiary) in respect of the Securities (including, without limitation, any Claims against the Company resulting from the ownership, purchase or sale of the Securities by any current or former holder thereof, and any Claims for contribution or indemnity against the Company in respect of any such Claims) (collectively, "**Securities Claims**") are deemed as of the Effective Time to have been discharged and extinguished without return of capital or other consideration, compensation or relief of any kind;

(h) authorize and direct the transfer of the Common Shares to the Sponsor Subsidiary and the issuance of the New Shares to the Sponsor Subsidiary, and declare that the New Shares to be issued to the Sponsor Subsidiary in connection with this Plan and the Articles of Reorganization will be validly issued and outstanding as fully-paid and non-assessable;

(i) declare that all Claims against the Company (and any successor thereto or the Sponsor Subsidiary)) in respect of the Common Shares (including, without limitation, any Claims against the Company resulting from the ownership, purchase or sale of the Common Shares by any current or former holder thereof, and any Claims for contribution or indemnity against the Company in respect of any such Claims) (collectively, "**Common Share Claims**") are deemed as of the Effective Time to have been discharged and extinguished without return of capital

or other consideration, compensation or relief of any kind, and that, for the avoidance of doubt, the Transfer Agent shall not be required to transfer the Transfer Price to the holders of the Common Shares;

(j) declare that, in accordance with the terms of the Plan and the Articles of Reorganization, the legal and beneficial right, title and interest of the Sponsor Subsidiary in and to the Common Shares shall vest and are thereby vested as of the Effective Time in the Sponsor Subsidiary absolutely and forever, free and clear of and from any and all Claims;

(k) declare that no meetings or votes of any holders of Securities or of the Common Shares are required in connection with this Plan or the Articles of Reorganization;

(l) declare that, as of and following the Plan Implementation Date, no Person who is a party to a Contract may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand or declare any default, violation or breach under or in respect of any such Contract and no automatic termination under or in respect of any such Contract will have any validity or effect, by reason of:

(i) the insolvency of the Company (or any of its subsidiaries on account of the insolvency of the Company) or the fact that the Company sought or obtained relief under the CCAA, that the CCAA Proceedings have been commenced or completed, or that the within restructuring or recapitalization has been implemented in respect of the Company; or

(ii) any compromise, arrangements, reorganizations or recapitalizations effected pursuant to this Plan and the Articles of Reorganization or any action taken or transaction effected pursuant to or contemplated by this Plan, the Articles of Reorganization, the Sanction Order, the Restructuring Documents or any other document or action contemplated thereby, including the change in control of the Company or any of its subsidiaries; provided, however, that the foregoing shall not affect or otherwise limit any contractual right that an employee of the Company may have with respect to a change in control of the Company;

(m) confirm the effect of the Meeting Order;

(n) authorize and direct the execution and delivery of the Restructuring Documents in accordance with the terms thereof and the terms of this Plan and the Sanction Order;

(o) permanently stay all Claims affected by the Plan and declare that the compromises effected hereby are approved, binding and effective as herein set out upon all Affected Creditors and all other Persons affected by this Plan or the Articles of Reorganization;

(p) confirm the releases provided for in Section 8.6 and the injunctions provided for in Section 8.7;

(q) declare that the stay of proceedings under the Initial Order continues until the Effective Time; and

(r) order that all CCAA Charges will be released and discharged at the time provided in the Sanction Order.

ARTICLE 8
PLAN IMPLEMENTATION AND EFFECT OF THE PLAN

8.1 Condition Precedent to Plan Implementation

The implementation of this Plan is conditional on the satisfaction or waiver of the conditions precedent of the Transaction Agreement, including as set forth in sections 12, 13, 14 and 15 thereof, in each case in accordance with the terms thereof.

8.2 Plan Implementation

(1) All the agreements and other instruments that have to be entered into or executed and all other actions that have to be taken in order for the transactions and agreements contemplated by this Plan to be completed and occur or be effective as of the Effective Time will be entered into, executed, taken and completed in escrow with counsel to the Company on or prior to the Plan Implementation Date.

(2) As soon as practicable after satisfaction or waiver in accordance with Section 8.1, of each of the conditions precedent to the implementation of this Plan referred to in Section 8.1, the Company will file the Articles of Reorganization and seek to obtain the Certificate of Amendment. The Plan will become effective at, and as of, the Effective Time. The Plan will be implemented in the manner, and the distributions and transactions set out below will be completed and deemed to occur and be effective in the order, set out below:

Part 1 – Prior to the Plan Implementation Date

The following steps will have occurred prior to the Plan Implementation Date and prior to the filing of the Articles of Reorganization (or may occur at such other time or times as the Plan Participants may agree):

(i) Versa Capital Fund II, L.P. and Versa Capital Fund II-A, L.P. (together, the "**Versa Funds**"), being the sole owners of Sponsor, shall contribute the Sponsor to Contego AV Holdings, LLC, a newly formed wholly-owned Delaware LLC.

(ii) Sponsor shall form a new wholly-owned subsidiary, the Sponsor Subsidiary.

(iii) Sponsor shall form two new wholly-owned subsidiaries: (i) Contego HMSI, LLC, a Delaware LLC ("**Holdco 1**") and (ii) Contego AVI, LLC, a Delaware LLC ("**Holdco 2**").

The following steps will occur prior to the Plan Implementation Date and at least one (1) day prior to the filing of the Articles of Reorganization (or may occur at such other time or times as the Plan Participants may agree), but only after all Plan Participants have confirmed in writing to each other that all conditions precedent set forth in the Transaction Agreement have been satisfied or waived (other than any conditions precedent the satisfaction of which are to occur simultaneously with the implementation of the Plan on the Plan Implementation Date):

(iv) The Company shall effect a pre-closing reorganization of its corporate structure and capital structure as contemplated in the Transaction Agreement, including the transfer or elimination of certain intercompany accounts and transfer of certain affiliates to another affiliate.

The following step will occur after the completion of the steps referred to above and three (3) Business Days prior to the anticipated Plan Implementation Date (or at such other time as the Plan Participants may agree):

(v) The Company shall file the Articles of Reorganization with the Director under the OBCA.

Part 2 – On The Plan Implementation Date

The following steps will occur on the Plan Implementation Date in the following order (or at such other times or order as the Plan Participants may agree):

Capitalization

(vi) The Versa Funds shall capitalize, or cause Sponsor to capitalize, through capital contributions, each of the Sponsor Subsidiary, Holdco 1 and Holdco 2, and Sponsor shall confirm in writing to the other Plan Participants that such capitalization has been completed.

Acquisition of HMSI and AVI

(vii) Upon receiving written confirmation of the capitalization of the Sponsor Subsidiary, Holdco 1 and Holdco 2 as referred to above, Hazard Management Solutions Limited (United Kingdom) shall distribute the shares of Hazard Management Solutions, Inc. (Delaware) ("**HMSI**") to VRS.

(viii) Holdco 1 shall purchase HMSI from VRS for cash and the issuance of a note to VRS.

(ix) Holdco 2 shall purchase (i) 90% of AVI from PW Allen Holdings Limited ("**PW AHL**") for cash and the issuance of a note to PW AHL, and (ii) 10% of AVI from Allen-Vanguard Technologies Inc. ("**AVTI**") for cash.

(x) VRS shall use the cash proceeds received by it in step (viii) to repay debt or pay fees due under the terms of this Plan, either directly or by first transferring the cash to the Company.

(xi) PW AHL and AVTI shall use the cash proceeds received by them in step (ix) to repay debt or pay fees due under the terms of this Plan, either directly or by first transferring the cash to the Company.

(xii) HMSI may convert into a limited liability company and Holdco 1 may merge into HMSI.

(xiii) AVI shall convert into a limited liability company and Holdco 2 shall merge into AVI.

Exchange and Acquisition of Certain Debt of the Company

(xiv) The Second Lien Credit Agreement shall be executed and become effective such that the Affected Creditors are issued second lien debt having a face amount of US$54.3 million (the "**Second Lien Debt**") in exchange for a portion of the debt outstanding under the Existing Credit Agreement having a face amount of US$54.3 million.

(xv) The Assignment Agreement shall be executed and become effective such that the Sponsor Subsidiary shall purchase from the Affected Creditors the Second Lien Debt for US$47.15 million, and the Sponsor Subsidiary shall pay US$47.15 million to the Agent on behalf of the Secured Lenders as the consideration under the Assignment Agreement.

(xvi) The Intercreditor Agreement shall be executed and become effective.

Transfer of Common Shares

(xvii) The Company shall deliver the Transfer Notice to the Transfer Agent in accordance with the Articles of Reorganization, whereupon the Sponsor Subsidiary shall have acquired, and shall be deemed to have acquired, from each holder of the Common Shares, all of the Common Shares.

(xviii) The Sponsor Subsidiary shall deliver the Transfer Price to the Transfer Agent.

Subscription for Additional Common Shares of the Company

(xix) The Sponsor Subsidiary shall subscribe for the New Shares for cash and shall pay an aggregate of up to US$25 million in accordance with the Transaction Agreement less the cash proceeds received in steps (viii) and (ix) above to the Company as the consideration for such subscription.

(xx) The Company shall elect to cease to be a "public corporation" for purposes of the *Income Tax Act* (Canada).

Payments and other Transactions under the Plan

(xxi) The Company shall pay US$5 million to the Agent on behalf of the Secured Lenders as a permanent pro rata reduction of the indebtedness

owed to each Secured Lender under the existing "New Facility" pursuant to the Existing Credit Agreement (using a portion of the up to US$25 million in the aggregate paid to the Company by the Sponsor Subsidiary pursuant to step (xix) above less the cash proceeds received in step (viii) and (ix) above).

(xxii) The Credit Agreement shall be executed and become effective.

(xxiii) The Company shall permanently and completely repay all indebtedness owed to the Secured Lenders under the "Interim Funding Facility" pursuant to the Interim Funding Agreement (such repayment to be funded by cash on hand at the Company and, to the extent required, drawings on the Revolving Credit Facility).

(xxiv) The Company shall pay, or shall cause to be paid, all other fees and expenses due under Section 4.3 of the Plan.

(3) Upon implementation of the Plan in accordance with Section 8.2(2), the Company will deliver to the Monitor, and file with the Court, a copy of a certificate stating that each of the conditions referred to in Section 8.1 has been satisfied or waived, that the Articles of Reorganization have been filed and have become effective as of the date set out in the Certificate of Amendment, that the transactions set out in Section 8.2(2) have occurred and become effective in the manner set forth therein and that the implementation of the Plan has occurred in accordance with the Plan as of the Effective Time.

(4) Sections 95 to 101 of the BIA shall not apply to any of the transactions implemented pursuant to this Plan.

8.3 Effect of Plan Generally

The Plan, upon being sanctioned and approved by the Court pursuant to the Sanction Order, will be final and binding as of the Effective Time on the Company and all Affected Creditors and all other Persons affected by the Plan and the Reorganization contemplated thereby (and their respective heirs, executors, administrators, legal personal representatives, successors and assigns) irrespective of the jurisdiction in which such Affected Creditors or other Persons reside and shall constitute, without limiting the generality of the terms of the Plan or the Reorganization:

(a) a full, final and absolute settlement of all rights of the Affected Creditors in respect of their Affected Claims;

(b) as of the Effective Time, a partial discharge of certain indebtedness, liabilities and obligations of the Company and the other Allen-Vanguard Parties under the Existing Credit Agreement and a restructuring of the remaining indebtedness, liabilities and obligations of the Company and the other Allen-Vanguard Parties under the terms of the Credit Agreement;

(c) as of the Effective Time, a cancellation and extinguishment of all Securities without return of capital or other consideration, compensation or relief of any kind to the holders thereof;

(d) as of the Effective Time, a discharge and extinguishment of all Equity Claims against the Company (and any successor thereto or the Sponsor Subsidiary) without return of capital or other consideration, compensation or relief of any kind to the current or former holders thereof; and

(e) as of the Effective Time, a transfer of the Common Shares to the Sponsor Subsidiary for the Transfer Price.

8.4 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Affected Claim that is compromised under this Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of any Affected Claim that is compromised under this Plan will be entitled to any additional rights beyond the rights of the Creditor whose Affected Claim was compromised under this Plan.

8.5 Consents, Waivers And Agreements

At the Effective Time, each Affected Creditor and any other Person affected by this Plan will be deemed to have consented and agreed to all of the provisions of the Plan in its entirety. Without limitation to the foregoing, each Affected Creditor and any other Person affected by this Plan (including the Sponsor and the Sponsor Subsidiary) will be deemed:

(a) to have executed and delivered to the Company all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan in its entirety;

(b) to have waived any non-compliance or default by the Company or any other Allen-Vanguard Party with or of any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Affected Creditor or other Person and the Company or any other Allen-Vanguard Party with respect to an Affected Claim or Security that has occurred on or prior to the Effective Time; and

(c) to have agreed that, if there is any conflict between the provisions of any such agreement (other than the Transaction Agreement and those entered into by the Company on, or with effect from, the Effective Time) and the provisions of this Plan, then the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement are deemed to be amended accordingly.

8.6 Releases

(i) At the Effective Time, the Released Parties will be released and discharged or deemed to be released and discharged by each of the other Released Parties and all Affected

Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Affected Claims, this Plan, the Articles of Reorganization, the cancellation of the Securities and the transfer of the Common Shares without consideration, compensation or relief of any kind, the Restructuring Documents, the CCAA Proceedings, the Reorganization or any of the transactions implemented in connection with any of the foregoing (collectively, the "**Released Claims**"); provided, however, that nothing herein shall release or discharge a Released Party: (i) from any of its obligations under the Plan, the Restructuring Documents, the Articles of Reorganization, the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing; (ii) if such Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or willful misconduct; or (iii) in the case of directors in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA or (iv) the EDC Claims.

(ii) At the Effective Time, the Company and the current and former officers and directors thereof will be released and discharged or deemed to be released and discharged by each other and all Affected Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Equity Claims; provided, however, that nothing herein shall release a director or current or former officer in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA.

8.7 Injunction

(i) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral,

administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under the Plan, the Restructuring Documents, the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing or in respect of any claim against a director of the kind referred to in subsection 5.1(2) of the CCAA.

(ii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Equity Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply in respect of any claim against a director, or current or former officer of the kind referred to in subsection 5.1(2) of the CCAA.

(iii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any claim of the kind referred to in subsection 5.1(2) of the CCAA, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation,

any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; and the sole recourse for any such claims against a current or former director or officer of the Company as of the date hereof shall be, and is hereby, limited to any recoveries available from the Company's insurance policies in respect of its current or former directors and officers, and that the holder of any such valid and proven claim shall be subrogated to the rights of any such director or officer to any insurance coverage available in respect of such a claim.

8.8 Monitor

Subject to the Sanction Order and any other Orders, the Monitor shall be discharged and released on the Plan Implementation Date and shall have no further obligations or responsibilities.

ARTICLE 9
AMENDMENTS OF PLAN

9.1 Plan Amendments

The Company may not amend this Plan, prior to or after the Meeting, except by written instrument with the prior written consent of the Sponsor and the Affected Creditors. The Company will provide a copy of any amendment to, or amended form of, this Plan to the Affected Creditors, the Sponsor and the Monitor, file a copy with the Court, and post a copy on the Website.

ARTICLE 10
GENERAL PROVISIONS

10.1 Termination of the Plan

Notwithstanding a prior approval given at the Meeting or the obtaining of the Sanction Order, at any time prior to the Effective Time, if the Transaction Agreement is terminated in accordance with its terms at a time when the conditions precedent to this Plan referred to in Section 8.1 have not been satisfied or waived in accordance with the terms of the Transaction Agreement, then: (a) this Plan shall become null and void in all respects; (b) any document or agreement executed pursuant to this Plan (other than, for the avoidance of doubt, the Transaction

Agreement and all other agreements executed contemporaneously therewith) shall be null and void in all respects; and (c) nothing in this Plan, and no act taken in preparation of the consummation of this Plan (other than, for the avoidance of doubt, the execution of the Transaction Agreement and all other agreements executed contemporaneously therewith) shall: (i) constitute or be deemed to constitute a waiver or release of any Affected Claim; (ii) prejudice in any manner the rights of the Sponsor or any of the Affected Creditors in any proceeding involving any of them or one or more of the Allen-Vanguard Parties; or (iii) constitute an admission of any sort by any of the Affected Creditors, the Allen-Vanguard Parties or any other Person.

10.2 Paramountcy

From and after the Plan Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, loan agreement, commitment letter, credit document, agreement for sale, by-laws of the Company, lease or other document or agreement, written or oral, and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and the Allen-Vanguard Parties (or any of them) as at the Plan Implementation Date, excluding in each case the Restructuring Documents, will be deemed to be governed by the terms, conditions and provisions of this Plan and the Sanction Order, which shall take precedence and priority.

10.3 Severability

If prior to the Plan Implementation Date, any provision of this Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of Company and subject to the consent of the Plan Participants, acting reasonably, may alter and/or interpret such provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of such provision, and such provision will then be applicable as altered or interpreted and the remainder of the provisions of this Plan will remain in full force and effect and will in no way be invalidated by such alteration or interpretation.

10.4 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.5 Binding Effect

At the Effective Time, the Plan, the Articles of Reorganization and all Restructuring Documents and other agreements, documents and transactions contemplated thereby will become effective (to the extent not already effective) and be binding on and enure to the benefit of the Allen-Vanguard Parties, the Sponsor, the Sponsor Subsidiary, the Affected Creditors and all other Persons named or referred to in, or subject to or affected by, this Plan, the Articles of Reorganization or the Restructuring Documents and their respective heirs, administrators, executors, representatives, successors and assigns.

10.6 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Plan and may, subject as hereinafter provided, be made or given by personal delivery, mail or facsimile addressed to the respective parties as follows:

(a) if to the Company:

c/o Lang Michener LLP
Brookfield Place, Suite 2500
181 Bay Street
Toronto, Ontario
M5J 2T7

Attention: Carl De Vuono

Facsimile: (416) 304-3755
Email: CDeVuono@langmichener.ca

(b) if to the Secured Lenders:

c/o ThorntonGroutFinnigan LLP
Suite 3200, Canadian Pacific Tower
100 Wellington Street West
Toronto, Ontario
M5K 1K7

Attention: Leanne Williams

Facsimile: (416) 304-1616
Email: lwilliams@tgf.ca

(c) if to the Sponsor:

if before December 22, 2009:

c/o Goodmans LLP
250 Yonge Street
Suite 2400, Box 24
Toronto, Ontario
M5B 2M6

if after December 22, 2009:

c/o Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario
M5H 2S7

Attention: Robert Chadwick and Brendan O'Neill

Facsimile: (416) 979-1234
Email: rchadwick@goodmans.ca; boneill@goodmans.ca

(d) if to the Monitor:

Deloitte & Touche Inc.
Brookfield Place, Suite 1400
181 Bay Street
Toronto, Ontario
M5J 2V1

Attention: Pierre Laporte, President and David Boddy, Senior Vice-President

Facsimile: (416) 601-6690
Email: pilaporte@deloitte.ca; dboddy@deloitte.ca

with a copy to:

Ogilvy Renault
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3800
P.O. Box 84
Toronto, Ontario
M5J 2Z4

Attention: Mario Forte

Facsimile: (416) 216-3930
Email: mforte@ogilvyrenault.com;

or to such other address as any party may from time to time notify the others in accordance with this Section. All such notices and communications which are delivered shall be deemed to have been received on the date of delivery. All such notices and communications which are delivered by facsimile shall be deemed to be received on the date transmitted if sent before 5:00 p.m. on a Business Day and otherwise shall be deemed to be received on the Business Day following the day upon which such facsimile was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day after the date of mailing. The unintentional failure to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Plan.

10.7 Different Capacities

Persons who are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person shall be entitled to participate hereunder in each such capacity. Any action taken by or any effect of the Plan on a Person in one capacity

will only affect such Person in that capacity and shall not affect such Person in any other capacity.

10.8 Responsibilities of the Monitor

The Monitor is acting in its capacity as Monitor in the CCAA Proceedings, and the Monitor will not be responsible or liable for any obligations of the Company hereunder. The Monitor will have only those powers granted to it by this Plan, by the CCAA and by any Order of the Court in the CCAA Proceedings, including the Initial Order.

10.9 Covenant of the Plan Participants

Each Plan Participant hereby covenants and agrees, and is deemed to covenant and agree to execute and deliver, on or after the Effective Time, all such agreements, instruments and documents and to take all such further actions as any of the other Plan Participants may reasonably deem necessary or desirable from time to time to carry out the full intent and purposes of this Plan, the Articles of Reorganization and the Restructuring Documents, and any related agreements or documents, and to consummate the transactions contemplated thereby.

10.10 Further Assurances

At the request of the Plan Participants, each of the Persons named or referred to herein, or subject to, this Plan will execute and deliver all such documents and instruments and do all such acts and things as may be reasonably necessary or desirable to carry out the full intent and purposes of this Plan, the Articles of Reorganization and the Restructuring Documents, and any related agreements or documents, and to consummate the transactions contemplated thereby, notwithstanding any provision of this Plan that deems any transaction or event to occur without further formality.

Dated at Toronto, Ontario as of the 9th day of December, 2009.

SCHEDULE A
ARTICLES OF REORGANIZATION

SCHEDULE B
CREDIT AGREEMENT

SCHEDULE C
INTERCREDITOR AGREEMENT

SCHEDULE D
SECOND LIEN CREDIT AGREEMENT

SCHEDULE E
ASSIGNMENT AGREEMENT

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION

APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, C. B.16

Court File No. CV-09-00008502-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

PLAN OF ARRANGEMENT AND REORGANIZATION

LANG MICHENER LLP
Brookfield Place
P.O. Box 747
181 Bay Street, Suite 2500
Toronto, Ontario
M5J 2T7

Alex Ilchenko
Telephone: (416) 307-4116
Fax: (416) 365-1719
Law Society No.: 33944Q

Lawyers for the Applicant

This is Exhibit "**H**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

CV-09-00008502-00CL

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 9TH DAY
	)	
JUSTICE CAMPBELL	)	OF DECEMBER, 2009

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

INITIAL ORDER

THIS APPLICATION, made by Allen-Vanguard Corporation (the "**Applicant**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of David E. Luxton sworn December 8, 2009 and the Exhibits thereto, the affidavit of Barry Goldberg, Genuity Capital Markets, sworn December 8, 2009, the affidavit of Glenn Saunty, BMO Nesbitt Burns Inc., sworn December 8, 2009 and the Exhibits thereto, and the Report of Deloitte & Touche Inc. (the "**Monitor**") as proposed Monitor (the "**Monitor's Report**"), all filed, and on hearing the submissions of counsel for the Applicant, counsel to the Applicant's senior secured lenders (the "**Affected Creditors**"), counsel to the Monitor, counsel to the independent directors of the Applicant, and counsel to Contego AV Investments, LLC (the "**Sponsor**"), and on reading the consent of Deloitte & Touche Inc. to act as the Monitor, and on being advised that the secured creditors

who are likely to be affected by the charges created herein were given notice of this Application,

SERVICE

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

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. THIS COURT ORDERS that, subject to the terms of the Transaction Agreement dated September 12, 2009 between the Applicant and its subsidiaries, the Affected Creditors and the Sponsor (the "**Transaction Agreement**"), the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**") between, *inter alia*, the Applicant and one or more classes of its secured and/or unsecured creditors as it deems appropriate.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court and the terms of the Transaction Agreement, the Applicant shall continue to carry on business in a manner consistent with the preservation of its businesses (the "**Businesses**") and Property and shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order, in each case consistent with the terms of the Transaction Agreement.

5. THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the Luxton Affidavit (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. THIS COURT ORDERS that, subject to the terms of the Transaction Agreement, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay, bonuses and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) all outstanding and future fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges;

(c) payment for goods or services actually supplied to the Applicant;

(d) all outstanding and future premiums on existing or future directors' and officers' liability insurance, including, without limitation, any premiums in connection with any extended reporting period;

(e) any fees and expenses incurred or owing by the Applicant during and with respect to these CCAA proceedings and/or the Transaction Agreement;

(f) all amounts with respect to cheques issued but not cleared prior to the date of this Order; and

(g) all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation, all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance, maintenance and security services.

7. THIS COURT ORDERS that, subject to the terms of the Transaction Agreement, the Applicant is authorized to complete any outstanding transactions and engage in new transactions with its subsidiaries and with joint ventures in which it has a material direct or indirect ownership interest (collectively with the Applicant, the "**AV Group**"), subject to the following:

(a) the Applicant may continue on and after the date hereof to buy and sell goods and services and allocate, collect and pay costs, including without limitation head office expenses and shared goods and services, from and to the other members of the AV Group in the ordinary course of business on terms consistent with existing arrangements or past practice;

(b) the Applicant, with the prior approval of the Monitor may (but is not obligated to) (i) make advances to and make payments on behalf of other members of the AV Group to fund their operations and expenses on terms consistent with existing arrangements or past practice, provided that such other member of the AV Group agrees that it will not exercise any rights of set-off in respect of any such advance and any pre-filing claim of such member of the AV Group against the Applicant, and (ii) make payments to other members of the Applicant in respect of goods and services provided prior to the date hereof

where the payment is of benefit to the Applicant having regard to the preservation of the Businesses and Property and its direct or indirect ownership interest in such member; and

(c) other than as permitted elsewhere by this Order, the Applicant shall not enter into any new transactions outside the ordinary course of business with any other member of the AV Group unless such new arrangements are approved by the Monitor.

8. THIS COURT ORDERS that the Applicant shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Businesses by the Applicant.

9. THIS COURT ORDERS that the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this

Order, in each case in accordance with the terms of the applicable lease and the Transaction Agreement.

10. THIS COURT ORDERS that except as specifically permitted herein or under the terms of the Transaction Agreement, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Businesses.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

11. THIS COURT ORDERS that until and including January 8, 2010 or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Businesses or the Property, except with the written consent of the Applicant and the Monitor, or as set forth under the terms of the Transaction Agreement as among the parties thereto, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Businesses or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

12. THIS COURT ORDERS that, except as set forth under the terms of the Transaction Agreement as among the parties thereto, during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Businesses or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security

interest, (iv) prevent the registration of a claim for lien, or (v) prevent the Affected Creditors or the Sponsor from exercising any of their respective rights or remedies under the Transaction Agreement.

NO INTERFERENCE WITH RIGHTS

13. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, grant, licence or permit in favour of or held by the Applicant, except as set forth under the terms of the Transaction Agreement as among the parties thereto, or with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all metals and raw materials, subcomponents, inventory, tools, tooling, dies, castings, moulds, lease of real property and warehouse locations which are subject to written or oral lease, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Businesses or the Applicant, 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 Applicant, and that the Applicant shall be entitled to the continued use of its current premises, 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 Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. THIS COURT ORDERS that, notwithstanding anything else contained herein, other than the obligations of the Secured Lenders under the Interim Funding Agreement dated September 12, 2009 (appended to the Transaction Agreement) and the Existing Credit

Agreement (as defined in the Transaction Agreement), no creditor of the Applicant shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. THIS COURT ORDERS that the Applicant shall indemnify its directors and officers from all claims, costs, charges and expenses relating to (i) the failure of the Applicant, after the date hereof, to make payments of the nature referred to in subparagraph 6(a) or paragraph 8 of this Order and (ii) obligations and liabilities which they may incur or sustain by reason of being a director or officer of the Applicant during the term of these proceedings, except to the extent that, with respect to any officer or director, such officer or director has been grossly negligent or guilty of willful misconduct.

18. THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $750,000, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 29 and 31 herein.

19. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim

the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

APPOINTMENT OF MONITOR

20. THIS COURT ORDERS that Deloitte & Touche Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Businesses with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. THIS COURT ORDERS that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Applicant's receipts and disbursements;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Businesses, and such other matters as may be relevant to the proceedings herein;

(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the Affected Creditors and the Sponsor and their respective counsel of financial and other information as agreed to between the Applicant and the Affected Creditors and the Sponsor which may be used in these proceedings, including reporting on a basis to be agreed with the Affected Creditors and the Sponsor;

(d) advise the Applicant in its preparation of the Applicant's cash flow statements and reporting required by the Affected Creditors and the Sponsor, which

information shall be reviewed with the Monitor and delivered to the Affected Creditors and the Sponsor and their counsel as reasonably requested by them;

(e) advise the Applicant, in consultation with the Affected Creditors and the Sponsor, in the Applicant's development of any amendments to and implementation of the Plan, in each case in accordance with the terms of the Transaction Agreement and the Plan;

(f) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' meetings for voting on the Plan;

(g) have full and complete access to the books, records and management, employees and advisors of the Applicant and to the Businesses and the Property to the extent required to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

(i) consider, and if deemed advisable by the Monitor, prepare a report and assessment on the Plan; and

(j) perform such other duties as are required by this Order or by this Court from time to time.

22. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Businesses and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Businesses or Property, or any part thereof.

23. THIS COURT ORDERS that nothing herein contained shall require the Monitor 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 Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor'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.

24. THIS COURT ORDERS that that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

25. THIS COURT ORDERS that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. THIS COURT ORDERS that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, incurred both before and after the date of this Order, in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis.

27. THIS COURT ORDERS that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $150,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 29 and 31 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

29. THIS COURT ORDERS that the priorities of the Directors' Charge and the Administration Charge (collectively, the "**CCAA Charges**"), as among them, shall be as follows:

First – the Administration Charge (to the maximum amount of $150,000); and

Second – Directors' Charge (to the maximum amount of $750,000).

30. THIS COURT ORDERS that the filing, registration or perfection of the CCAA Charges shall not be required, and that the CCAA Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the CCAA Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

31. THIS COURT ORDERS that each of the CCAA Charges shall constitute a charge on all of the Property of the Applicant other than the excluded property listed on Schedule "A" to this Order and that the CCAA Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, statutory or otherwise, on the Property (collectively, "**Encumbrances**") in favour of any Person.

32. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the CCAA Charges unless the Applicant also obtains the prior written consent of the Monitor, the Affected Creditors and the Sponsor, and the beneficiaries of the CCAA Charges, or further Order of this Court.

33. THIS COURT ORDERS that the CCAA Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the CCAA Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

(a) the creation of the CCAA Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the CCAA Charges; and

(c) the payments made by the Applicant pursuant to this Order, and the granting of the CCAA Charges, do not and will not constitute fraudulent preferences, fraudulent conveyances, oppressive conduct, settlements or other challengeable, voidable or reviewable transactions under any applicable law.

34. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.

SERVICE AND NOTICE

35. THIS COURT ORDERS that the Monitor shall immediately post a copy of this Order on its website www.deloitte.com/ca/allen-vanguard (the "**Website**"), and the Applicant shall forthwith serve a copy of this Order on counsel for the Affected Creditors by email or facsimile, and the Applicant shall promptly send a copy of this Order (a) to all parties filing a Notice of Appearance in respect of this Application and (b) to any other interested Person requesting a copy of this Order.

36. THIS COURT ORDERS that the Applicant and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof.

37. THIS COURT ORDERS that the Applicant, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, in accordance with the E-filing protocol of the Commercial List to the extent practicable, and the Monitor may post a copy of any or all such materials on the Website.

GENERAL

38. THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

39. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Businesses or the Property.

40. THIS COURT ORDERS that, notwithstanding any other provision of this Order, Export Development Canada shall not be required, during the pendency of these CCAA proceedings, to provide any performance security guarantees, financial security guarantees or any other guarantees to the Applicants or any Affected Creditor.

41. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, in the United States, in the United Kingdom, in Ireland or in India, to give effect to this Order and to assist the Applicant, the Monitor and their respective 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 Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

42. THIS COURT ORDERS that each of the Applicant and the Monitor 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 the Monitor is authorized and empowered to act as foreign representative if required in such proceedings.

43. THIS COURT ORDERS that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than two (2) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

44. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

C Campbell J.

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

DEC 08 2009

PER / PAR:

SCHEDULE "A"

All equipment leased from Ikon Office Solutions Inc. and relating to PPSA Registration Number 2005 0411 1945 1531 5117

2008 Ford Fusion VIN 3FAHP08168R275708 leased from Surgenor National Leasing Limited and relating to PPSA Registration 2009 0827 0959 1488 5813

2009 Subaru IMP-9G2BP VIN JF1GH61679H805494 leased from Toyota Credit Canada Inc. and relating to PPSA Registration 2008 1119 1451 1530 7475

This is Exhibit "J" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

Court File No.

76

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

INITIAL ORDER

LANG MICHENER LLP
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P.O. Box 747
181 Bay Street, Suite 2500
Toronto, Ontario
M5J 2T7

Alex Ilchenko
Telephone: (416) 307-4116
Fax: (416) 365-1719
Law Society No.: 33944Q

Lawyers for the Applicant

This is Exhibit "**I**" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No. 09-00008502-00CL

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF
ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY")
UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

SECOND REPORT OF THE MONITOR

DATED DECEMBER 10, 2009

Court File No. 09-00008502-00CL

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

SECOND REPORT OF THE MONITOR

DATED DECEMBER 10, 2009

INTRODUCTION

1. On December 9, 2009 the Company filed for and obtained protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The terms of these proceedings are governed by an Order of this Honourable Court dated December 9, 2009 (the "**Initial Order**"). Pursuant to the Initial Order, Deloitte & Touche Inc. ("**Deloitte**") was appointed as monitor (the "**Monitor**") of the Applicant.

2. Capitalized terms not defined in the Second Report of the Monitor (the "**Report**") are as defined in the Initial Order, the Plan of Arrangement and Reorganization (the "**Plan**"), the Plan Filing and Meeting Order (the "**Meeting Order**") and the previous Monitor's report (the "**Monitor's First Report**"). All references to dollars are in Canadian currency unless otherwise noted.

3. The purpose of this Report is to provide this Honourable Court with information regarding the results of the Creditors' Meeting held on December 9, 2009 and to support the Applicant's request for the Sanction Order.

4. In preparing this Report, the Monitor has relied upon unaudited financial information, Company records, Company prepared financial information and discussions with management of the Applicant ("**Management**"). The Monitor has not performed an audit or other verification of such information.

5. On December 9, 2009, this Honourable Court made the Initial Order and the Meeting Order approving the filing of the Plan and authorizing the Applicant to call and hold a meeting of the Affected Creditors on December 9, 2009 at 2:00 p.m.

6. In accordance with the provisions of the Initial Order, the Monitor posted a copy of the Initial Order on the Monitor's website at www.deloitte.com/ca/allen-vanguard on December 9, 2009. The Monitor also posted a copy of the Meeting Order on its website.

7. In accordance with the provisions of the Initial Order the Applicant served a copy of the Initial Order on counsel to the Affected Creditors by email or facsimile.

8. The Applicant filed the Plan which was presented to the Affected Creditors on December 9, 2009. A copy of the Plan is attached as Appendix "**A**" to the Report without schedules. A full copy of the Plan was posted on the Monitor's website at www.deloitte.com/ca/allen-vanguard on December 9, 2009.

9. Prior to the meeting of creditors, the Monitor reviewed the business and financial affairs of the Company, and filed the Monitor's First Report thereon to the Court, the whole in accordance with the provisions of section 23(1) of the CCAA. The Monitor's First Report was filed in Court on December 9, 2009 and was made available on the Monitor's website at www.deloitte.com/ca/allen-vanguard on December 9, 2009.

SUMMARY OF THE RESULTS OF THE CREDITORS' MEETING

10. Pursuant to the Meeting Order, the Applicant was authorized to call, hold and conduct a meeting of creditors to consider and vote on the Plan. The Meeting Order sets out the procedures for the calling and conduct of the Creditors' Meeting. The Creditors' Meeting was held on December 9, 2009 at the offices of Ogilvy Renault LLP, Royal Bank Plaza, 200 Bay Street, Suite 3800, Toronto, Ontario, starting at 2:00 p.m.

11. All of the documents identified below (collectively, the "**Meeting Materials**") are in the possession of the group of Affected Creditors:

    - A copy of the Initial Order;
    - A copy of the Plan;
    - The form of agreement and proxy for creditors to vote on the Plan; and
    - A copy of the Meeting Order.

12. The Meeting Materials were also made available on the Monitor's website on and after December 9, 2009.

13. In accordance with the Meeting Order, Mr. Pierre Laporte of Deloitte acted as the chair and as secretary (the "**Chair**") of the Creditors' Meeting. Mr. David Boddy of Deloitte acted as scrutineer (the "**Scrutineer**") of the Creditors' Meeting.

14. At the Creditors' Meeting, a quorum was present and accordingly, the Chair declared that the Creditors' Meeting was properly constituted. The Scrutineer's report with respect to attendance is attached as Appendix "**B**" to this Report.

RESULTS OF THE VOTING

15. A motion to consider a resolution to approve the Plan was proposed at the Creditors' Meeting (the "**Resolution**") and a vote by ballot was called for by the Chair. The Affected Creditors at the Creditors' Meeting voted as a single class as provided for in the Plan. A copy of the Resolution is attached as Appendix "**C**".

16. The Scrutineer tabulated the ballot cast in respect of the Plan and the Chair reported the results at the Creditors' Meeting.

17. The Affected Creditors or their proxy holders voted on the resolution to approve the Plan as follows:

	FOR		AGAINST	
	#	US$	#	US$
Affected Creditors having a voting claim voting in person or by proxy	7	206,274,639	-	-
Percentage of the total votes	100%	100%	-	-

18. A copy of the Scrutineer's report on the results of the voting is attached as Appendix "**D**".

19. In summary, a majority in number representing in excess of two-thirds in value of the Affected Creditors holding proven claims and voting in person or by proxy at the Creditors' Meeting, voted in favour of the resolution to approve the Plan and hence the requisite majorities of Affected Creditors required by section 6 of the CCAA were obtained. A copy of the minutes of the Creditors' Meeting, excluding exhibits, is attached as Appendix "**E**".

20. As soon as reasonably practicable following the voting on the Plan, and its acceptance by the requisite majorities of Affected Creditors, the materials for the Sanction Hearing are to be, and will be, served on the persons listed in Schedule "B" of the Meeting Order. Similarly, advertisements ("**Notice of Sanction Hearing**") are to be published by the Applicant in each of the Globe and Mail (National Edition), La Presse (the French language translation thereof) and the Wall Street Journal (National Edition) giving Notice of the Sanction Hearing. The Applicant and the Monitor have posted the Notice of Sanction Hearing on their websites as required by paragraph 23 of the Plan Filing and Meeting Order.

21. On December 9, 2009, a press release was issued by the Company containing substantively similar information as contained in the Notice of Sanction Hearing to be published in the above newspapers.

APPROVAL AND IMPLEMENTATION OF THE PLAN

22. The Meeting Order and the CCAA provide that the Plan can be sanctioned by the Court following approval by the requisite majorities, which has occurred. The motion seeking an order sanctioning the Plan (the "**Sanction Hearing**") is scheduled to be heard on December 16, 2009 at 10:00am. Subject to this Honourable Court sanctioning the Plan on December 16, 2009, the Applicant believes that the Plan Implementation Date will be on or about December 18, 2009.

RELEASES AND INJUNCTIONS GRANTED UNDER THE PLAN

23. The Plan provides certain releases to:
    - the Company;
    - the Secured Lenders and the Agent;
    - the Plan Sponsor, the Sponsor Subsidiary and Versa Capital Management, Inc.;
    - Deloitte in its capacity as the Monitor;
    - the Transfer Agent; and
    - each of their respective subsidiaries and affiliates and present and former partners, officers, directors, shareholders, employees, financial advisors, auditors, legal counsel, other professional advisors and agents, as applicable.

24. A general release (the "**General Release**") covers any claims existing or taking place on or prior to the Effective Time of the Plan relating to the CCAA Proceeding or any transaction implemented in connection therewith, subject to the below exclusions.

25. The General Release does not cover any claims related to obligations under the Plan or the associated documents, or to claims where the released party has been found to have engaged in gross negligence, willful misconduct or fraud, or to claims referred to in subsection 5.1(2) of the CCAA.

26. The Plan also provides, as of the Effective Date, for comprehensive releases of the Company and the current and former officers and directors of the Company from any claims relating to any Equity Claims (the "**Equity Claims Release**").

27. The Equity Claims Release does not release a director in respect of any claim referred to in subsection 5.1(2) of the CCAA.

28. The injunctions provided in the Plan are limited by section 5.1(2) of the CCAA. The injunctions bar any person from commencing, continuing or pursuing any proceeding on or after the Effective Time for a claim that such person may have against the Company or any current or former officer of the Company of the type referred to in subsection 5.1(2) of the CCAA (the "**Supplemental Injunction**"), but permit any such subsection 5.1(2) claim to proceed against a current or former director of the Company except that any such claim against a current or former director of the Company is permitted recourse, and sole recourse, to the Company's insurance policies in respect of its current and former directors. The estimated value of any coverage under such insurance is $30 million as per the Luxton Affidavit.

29. The Monitor is aware of at least one group of stakeholders affected by the Supplemental Injunction, being a group of current and former shareholders of the Company that have served a Notice of Action and Statement of Claim on the Company seeking approximately $80.0 million in damages from the Company and its directors and officers, as further described in the Monitor's First Report. As stated above, the terms of the Supplemental Injunction would permit this claim to survive against the current and former directors of the Company with recourse limited to the Company's insurance as referenced above.

30. The releases and injunctions contained in the Plan are reflected in the Sanction Order.

CONDITIONS PRECEDENT AND BREAK FEES:

31. The conditions precedent to the implementation of the Plan are extensive, but are commonly found in transactions of this nature and complexity. The significant conditions precedent to the implementation of the Plan and the completion of the transactions contemplated therein are highlighted below:

    - The Company, the Plan Sponsor and the Secured Lenders shall have executed and delivered a new amended credit agreement, a new junior secured credit agreement and an inter-creditor agreement giving effect to the recapitalization contemplated by the Plan;[1]

    - The Plan shall have been approved and the Sanction Order entered in the form proposed and agreed upon by the Applicant, the Secured Lenders, and the Plan Sponsor; and

    - All necessary consents and approvals, regulatory or otherwise, shall have been obtained.

32. While not strictly a condition precedent to the implementation of the Plan, the Secured Lenders may terminate and refuse to complete the Transaction Agreement, and thus terminate the implementation of the Plan, if various financial and other support is not provided by third parties.

33. Certain termination events entitle the Plan Sponsor to a termination fee of US$7.5 million payable by the Company or a break fee of US$6 million payable by the Secured Lenders and/or a reimbursement of any and all reasonable out-of-pocket expenses in connection with the Transaction Agreement and the transactions contemplated thereby. Payment of the termination fee or expense reimbursement by the Company is secured by the Company and its direct and indirect subsidiaries, such security interest being subordinated to the existing security interest that the Secured Lenders hold for amounts owing under the Existing Credit Agreement and associated documents. Given the Monitor's understanding that under a liquidation scenario there would be a significant shortfall to the Secured Lenders, no parties other than the Secured Lenders would be impacted by the existence of these termination fees and expense reimbursements and the Secured Lenders have agreed to these fees and reimbursements pursuant to the terms of the Transaction Agreement.

34. As referenced above, the Applicant intends to close the Transaction and implement the Plan on December 18, 2009, which is the "outside date" for doing so under the terms of the Transaction Agreement.

SUMMARY OF ACTIVITIES OF THE MONITOR

35. Below is a summary of some, but not all, of the activities undertaken, or to be undertaken, by the Monitor during the CCAA Proceedings:

    a) Apprised Creditors and other stakeholders apprised of the status of the CCAA Proceedings through various means including the maintenance of a website on which the Monitor posted all relevant motion materials, orders of this Honourable Court, Monitor's reports, the Meeting Materials and other relevant information relating to the CCAA Proceedings;

[1] The form of these documents have been agreed to and will be executed on the Effective Date

b) Monitor and report on the Applicant's receipts and disbursements;
c) Assisted the Applicant with the preparation of its cash flow forecasts;
d) Chaired the Creditors' Meeting and tabulated the results of the Creditors' Meeting; and
e) Prepared reports to this Honourable Court, as required.

MOTION FOR COURT SANCTION OF THE PLAN AND RECOMMENDATION

36. The Monitor has been advised that the Company will file a motion with this Court for the sanction of the Plan.

37. A majority in number representing 100% in value of the Affected Creditors voting in person or by proxy at the Creditors' Meeting voted in favour of the resolution to approve the Plan and hence the requisite majorities required by section 6 of the CCAA were obtained.

38. The Monitor continues to believe that the Plan is the best course of action for the Company. The Plan is more beneficial to the creditors than a sale or liquidation under the *Bankruptcy and Insolvency Act*. There is no value for the shareholders or other security holders under any available or achievable scenario and, therefore, it is reasonable that their equity interests in, and any equity claims against, the Company be extinguished such that the Plan Sponsor can become the new owner of the Company in exchange for its significant investment into the Company for purposes of funding the Plan and the recapitalization of the Company.

39. To the best of the Monitor's knowledge, the Applicant has acted in good faith and with due diligence, has complied with the provisions of the CCAA and the Orders of this Honourable Court made in these CCAA Proceedings and has not done or purported to have done anything that is not authorized by the CCAA.

40. The Plan and the transactions contemplated thereunder are complex, and are subject to various conditions precedent, many of which are to be satisfied at closing. Such conditions are normal for transactions of this nature and complexity.

41. The Monitor believes the Plan is fair and reasonable in the circumstances taking into account the provisions of the CCAA and the entitlements of stakeholders including Affected Creditors thereunder, and the claims of those parties holding equity claims, as that term is defined in the CCAA. With respect to injunctions which limit equity holders' recourse for certain claims to the Applicant's directors' and officers' liability insurance we express no view, other than to note that it is commonly the case that such recourse is for all practical purposes the only source of recovery in respect of such claims, and the injunction purports to crystallize that circumstance. Given the benefits which accrue pursuant to the Plan to Affected Creditors, their approval of the Plan, and the incidental benefits to all other creditors arising from the transactions contemplated in the Plan, which permit the Company to continue to conduct business in the ordinary course, the Monitor recommends that the Plan be sanctioned by this Honourable Court.

42. The Monitor's Certificate as contemplated in the Sanction Order is included in Appendix **F**.

All of which the Monitor respectfully submits to the Court.

Dated this 10th day of December, 2009.

Deloitte & Touche Inc.,
In its capacity as Court-appointed Monitor of
Allen-Vanguard Corporation

Per:

Pierre Laporte
President

Per:

David Boddy
Senior Vice-President

APPENDIX A

APPENDIX B

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

MEETING OF CREDITORS
DECEMBER 9, 2009
2:00 P.M.

REPORT OF SCRUTINEER ON ATTENDANCE

The undersigned scrutineer hereby reports that the following holders ("**Affected Creditors**") of proven claims ("**Proven Claims**") against Allen-Vanguard Corporation (the "**Company**"), were present at the meeting referred to above (the "**Meeting**") either in person or by proxy, as indicated, representing an aggregate value of Proven Claims for purposes of voting ("**Voting Claims**") as set out below, which Affected Creditors filed an agreement and proxy prior to the commencement of the Meeting.

Method of Voting	Number of Affected Creditors Represented	Aggregate Value of Voting Claims (US$)
By Proxy	6	$179,331,682.00
In Person	1	$26,942,957.00
Totals	7	$206,274,639.00

The total number of Affected Creditors represented in person or by proxy at the Meeting was seven (7) Affected Creditors, representing 100% of the Affected Creditors who filed an agreement and proxy prior to the commencement of the Meeting. Accordingly, the undersigned scrutineer hereby reports that a quorum, consisting of at least one Affected Creditor present in person or by proxy, was present at the Meeting.

Dated the 9th day of December, 2009

David J. Boddy

SCRUTINEER

APPENDIX C

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

PLAN RESOLUTION FOR AFFECTED CREDITORS

BE IT RESOLVED THAT the Plan of Arrangement and Reorganization and the transactions contemplated therein affecting claims against Allen-Vanguard Corporation, as more particularly set out in such plan, presented at the meeting of creditors pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) made on December 9, 2009 under the *COMPANIES' CREDITORS ARRANGEMENT ACT* be and is hereby authorized and approved.

APPENDIX D

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

MEETING OF CREDITORS
DECEMBER 9, 2009
2:00 P.M.
REPORT OF SCRUTINEER ON VOTING

The undersigned scrutineer hereby reports on the results of voting by the holders ("**Affected Creditors**") of proven claims ("**Proven Claims**") of Allen-Vanguard Corporation (the "**Company**"), who were present at the meeting referred to above (the "**Meeting**") either in person or by proxy, as indicated, representing an aggregate value of Proven Claims for purposes of voting ("**Voting Claims**") as set out below, which Affected Creditors filed an agreement and proxy for voting purposes prior to the commencement of the Meeting.

1. Number of Affected Creditors and Value of Voting Claims Voted FOR the Resolution Approving the Plan

Method of Voting	Number of Affected Creditors Represented	Aggregate Value of Voting Claims (US$)
By Proxy	6	$179,331,682.00
In Person	1	$26,942,957.00
Totals	7	$206,274,639.00

One (1) Affected Creditor, holding six (6) proxies and representing an aggregate value of $179,331,682 of Voting Claims, and one (1) Affected Creditor attending in person and representing a value of $26,942,957 of Voting Claims, voted FOR the resolution approving the Plan, representing 100% of the total number of Affected Creditors and which value of Voting Claims represents 100% of the aggregate value of the Voting Claims held by the Affected Creditors present and voting in person or by proxy at the Meeting.

2. Number of Affected Creditors and Value of Voting Claims Voted AGAINST the Resolution Approving the Plan

Method of Voting	Number of Affected Creditors Represented	Aggregate Value of Voting Claims
By Proxy	-	-
In Person	-	-
Totals	-	-

None of the Affected Creditors voted AGAINST the resolution approving the Plan.

3. On the basis of the foregoing, a majority in number of the Affected Creditors voting at the Meeting, representing more than two-thirds of the value of the Voting Claims, of such Affected Creditors have voted in favour of the resolution approving the Plan.

Dated the 9th day of December, 2009

David J. Boddy

SCRUTINEER

APPENDIX E

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

MINUTES OF THE MEETING OF CREDITORS HELD ON DECEMBER 9, 2009 AT 2:00 P.M. AT THE OFFICES OF OGILVY RENAULT LLP, ROYAL BANK PLAZA 200 BAY STREET, SUITE 3800 TORONTO, ONTARIO

Present at the meeting for the Monitor were:	
Pierre Laporte (Deloitte & Touche Inc.)	Chair and representative of the Monitor
David J. Boddy (Deloitte & Touche Inc.)	Scrutineer and representative of the Monitor
Mario Forte (Ogilvy Renault LLP)	Monitor's Legal Counsel
Evan Cobb (Ogilvy Renault LLP)	Monitor's Legal Counsel
Richard Hall (Royal Bank of Canada)	Holding proxies for: Bank of Montreal The Bank of Nova Scotia Bank of America, N.A., Canada Branch Sumitomo Mitsui Banking Corporation of Canada State Bank of India (Canada)
Mark Conzelman (Canadian Imperial Bank of Commerce) Doug Brown (Canadian Imperial Bank of Commerce) Leanne Williams (ThorntonGroutFinnigan LLP)	Representing the Secured Lenders

Mr. Pierre Laporte acted as Chair and secretary and Mr. David Boddy acted as Scrutineer of the meeting.

INTRODUCTION

At 2:00 p.m. the Chair called the meeting to order and briefly outlined the business to be conducted at the meeting to the participants. The Chair informed the participants that the meeting was being called pursuant to the Plan Filing and Meeting Order of December 9, 2009. The Chair confirmed that based on the scrutineer's report on attendance, a quorum was present

and the meeting duly constituted for business (a copy of the scrutineer's report on attendance is included as Appendix B of the Monitor's Second Report).

APPROVAL OF THE COMPANY'S PLAN OF ARRANGEMENT AND REORGANIZATION

The Chair provided an overview description of the Plan and read the Plan Resolution on which the Voting Creditors were asked to vote and reviewed the required voting criteria for the approval of the Plan.

The Chair asked for a motion to consider the Plan Resolution. The motion was brought forward by Mr. Richard Hall, proxy holder for the Royal Bank of Canada and others as referenced above, and was seconded by Mark Conzelman of the CIBC.

The Chair provided the Affected Creditors an opportunity to ask questions and there being no questions the Chair called for a vote on the Plan Resolution.

VOTE ON THE COMPANY'S PLAN OF ARRANGEMENT AND REORGANIZATION

The ballots were collected and the meeting was briefly adjourned while the scrutineer compiled the votes. The Chair confirmed that he had received a copy of the scrutineer's report on voting and that the votes cast by the Affected Creditors having a proven claim and voting on the Plan Resolution in person or by proxy were as follows (a copy of the scrutineer's report on voting is included as Appendix D of the Monitor's Second Report):

	FOR		**AGAINST**	
	#	**US$**	#	**US$**
Creditors having a voting claim voting in person or by proxy	7	$206,274,639	-	-
Percentage of the total votes	100%	100%	-	-

Consequently, the Chair confirmed that since the voting requirements under the CCAA were met, the Plan was approved by the Affected Creditors.

TERMINATION OF THE MEETING

All matters of business having been discussed, the Chair requested that a motion be brought to terminate the meeting. A motion to terminate the meeting was brought by Mr. Richard Hall, proxy holder for the Royal Bank of Canada and others and was seconded by Mark Conzelman of the CIBC. There being no further business to discuss, the Chair terminated the meeting at 2:20 p.m.

DATED at Toronto, Ontario this 9th day of December, 2009

Pierre Laporte, Chair
Deloitte & Touche Inc., in its capacity as
Monitor of Allen-Vanguard Corporation,
with no personal or corporate liability

APPENDIX F

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 PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION ("APPLICANT" OR THE "COMPANY") UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

MONITOR'S CERTIFICATE

Whereas pursuant to the Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated December ___, 2009, effective immediately and without further notice or Order of the Court, upon filing with the Court the Monitor's Certificate confirming that Deloitte & Touche Inc., in its capacity as the Monitor of Allen-Vanguard Corporation (the "**Monitor**"), has completed the Monitor's duties and responsibilities as set out in the Order of the Honourable Justice Campbell dated December 9, 2009 (the "**Initial Order**"), the plan of arrangement and reorganization dated December 9, 2009 (the "**Plan**"), and the Monitor's Second Report to the Court dated December 10, 2009 (the "**Report**"):

(i) The CCAA proceedings and Initial Order be and are immediately terminated;

(ii) The Administrative Charge (as defined in the Initial Order) be and is immediately terminated; and

(iii) Deloitte & Touche Inc. be and is immediately discharged and released from any and all further obligations as Monitor in the CCAA Proceedings.

HAVING BEEN ADVISED IN WRITING BY THE APPLICANT AND THE PLAN SPONSOR THAT THE PLAN OF ARRANGEMENT AND REORGANIZATION HAS BEEN COMPLETED IN ACCORDANCE WITH THE PLAN, THE UNDERSIGNED HEREBY CERTIFIES that the Plan has been implemented and the Monitor has completed its duties and obligations as set out in the Report.

DATED at Ottawa this _____ day of _____, 20___.

DELOITTE & TOUCHE INC., in its capacity as Monitor of Allen-Vanguard Corporation, with no personal or corporate liability

Per: _____
David J. Boddy
Senior Vice President

This is Exhibit "J" referred to in the affidavit of **Doreen Navarro** sworn before me, this 26th day of November 2013.

A Commissioner for Taking Affidavits

Court File No.: CV-09-00008502-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE MR.	)	WEDNESDAY, THE 16TH DAY
	)	
JUSTICE CAMPBELL	)	OF DECEMBER, 2009

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

SANCTION ORDER

THIS MOTION made by Allen-Vanguard Corporation (the "**Applicant**") for an Order pursuant to section 6 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") sanctioning the Applicant's Plan of Arrangement and Reorganization dated December 9, 2009, as amended, and as it may be further amended from time-to-time in accordance with its terms (the "**Plan**") and for ancillary relief associated with the implementation of the Plan, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion dated December 10, 2009, the affidavit of David E. Luxton sworn December 8, 2009 and the Exhibits thereto, the affidavit of Barry Goldberg, Genuity Capital Markets, sworn December 8, 2009, the affidavit of Glenn Sauntry, BMO Capital Markets, sworn December 8, 2009 and the Exhibit thereto, all filed, and the First and Second Reports of Deloitte & Touche Inc. (the "**Monitor**") in its capacity as Monitor dated December 8, 2009, and December 10, 2009 and the Appendices thereto (the "**Reports**"), all filed, and on being advised by counsel present that the Monitor, the Affected Creditors and the Sponsor (as

defined in the Plan) consent to the relief sought on this motion, and on hearing the submissions of counsel for the Applicant, the Monitor, the Affected Creditors, the Sponsor, Export Development Canada, the directors of the Applicant and for the Plaintiff in the Action (as defined below), no one else appearing although notice and service of this motion was duly and properly given in accordance with the requirements of this Honourable Court's Plan Filing and Meeting Order dated December 9, 2009 (the "**Meeting Order**"), as appears from the Affidavit of Service of David E. Luxton sworn December 14, 2009 (the "**Luxton Affidavit of Service**"):

SERVICE

1. **THIS COURT ORDERS AND DECLARES** that in accordance with the Meeting Order this Motion is properly returnable today and hereby dispenses with further service hereof.

DEFINITIONS

2. **THIS COURT ORDERS** that any capitalized terms not otherwise defined in this Order shall have the meanings ascribed to such terms in the Plan.

SERVICE AND MEETING OF CREDITORS

3. **THIS COURT ORDERS AND DECLARES THAT** the Meeting Order remains in full force and effect, unvaried and unamended.

4. **THIS COURT ORDERS AND DECLARES** that there has been good and sufficient notice of the Meeting (as defined in the Meeting Order) and that the Meeting called pursuant to paragraph 6 of the Meeting Order was duly convened, held and conducted, in conformity with the CCAA and the Meeting Order.

AMENDMENT OF PLAN

5. **THIS COURT ORDERS AND DECLARES** that the amendments to the Plan described in Schedule "B" to this Order (the "**Amendments**") are hereby approved and the Applicant is hereby (a) authorized and directed to forthwith deliver to the Monitor, for posting on the website, an amended version of the Plan adopting and reflecting the Amendments and dated as of the date hereof and (b) deemed to have complied with the requirements of section 9.1 of the Plan and

paragraph 4 of the Plan Filing and Meeting Order concerning amendments to the Plan. (A blackline reflecting the Amendments made to the Plan is enclosed as Schedule "C" to this Order.)

SANCTION OF PLAN

6. **THIS COURT ORDERS AND DECLARES** that:

(a) the Plan has been approved by the requisite majorities of the Affected Creditors present and voting, either in person or by proxy, at the Meeting, all in conformity with the CCAA and the terms of the Initial Order and the Meeting Order;

(b) the Applicant has acted in good faith and with due diligence, has complied with the provisions of the CCAA, and has not done or purported to do (nor does the Plan do or purport to do) anything that is not authorized by the CCAA;

(c) the Applicant has adhered to, and acted in accordance with, all Orders of this Court in the CCAA Proceedings; and

(d) the Plan, together with all of the compromises, arrangements, reorganization, recapitalization, transfers, transactions, corporate transactions, releases and results provided for therein and effected or contemplated thereby are fair, reasonable and in the best interests of the Applicant, the Affected Creditors and the other stakeholders of the Applicant, and does not unfairly disregard the interests of any Person (whether an Affected Creditor or otherwise).

7. **THIS COURT ORDERS** that the Plan, including the compromises, arrangements, reorganization, recapitalization, transfers, transactions, corporate transactions, releases and results provided for therein and effected or contemplated thereby, including the Articles of Reorganization and the Restructuring Documents and the transactions contemplated thereby, be and are hereby sanctioned and approved pursuant to section 6 of the CCAA and, at the Effective Time, will enure to the benefit of, become effective and be binding upon the Applicant, the Affected Creditors, the Sponsor and all other Persons affected thereby, and on their respective heirs, administrators, executors, legal personal representatives, successors and assigns, in the order stipulated in the Plan.

PLAN IMPLEMENTATION

8. **THIS COURT ORDERS** that the Applicant, the Monitor and the Transfer Agent, as the case may be, are authorized and directed to take all steps and actions, and to do all things, necessary or appropriate to enter into or implement the Plan in accordance with its terms, including making the distributions and implementing the transactions contemplated by the Plan, and to enter into, execute, deliver, implement and consummate all of the steps, transactions and agreements contemplated under and pursuant to the Plan, including the Articles of Reorganization and the Restructuring Documents and the transactions contemplated thereby, in accordance with their respective terms.

9. **THIS COURT ORDERS** that in completing the Plan, the Applicant, the Monitor and the Transfer Agent, as the case may be, be and are hereby authorized and directed:

(a) to execute and deliver such additional, related and ancillary documents and assurances governing or giving effect to the Plan, including as set out in or contemplated by the Transaction Agreement, the Restructuring Documents and the Articles of Reorganization, which are reasonably necessary or advisable to conclude the Plan and the transactions contemplated thereby, including the execution of such powers of attorney, conveyances, deeds, releases, bills of sale, transfers, instruments and such other documents, in the name and on behalf of the Applicant or otherwise, as may be reasonably necessary or advisable to effect the Plan and transactions contemplated thereby; and

(b) to take any such steps, actions and proceedings that are reasonably necessary or incidental to conclude the Plan and the transactions contemplated thereby.

10. **THIS COURT ORDERS** that the *Bulk Sales Act*, R.S.O. 1990, c. B-14, as amended, and any other legislation affecting sales in bulk in all jurisdictions in which the Applicant's assets are located do not apply to the Plan, and the Plan may be completed without compliance with any notice, statutory or otherwise, which a creditor or other party may be required to issue in any jurisdiction within which any of the Applicant's assets are located.

11. **THIS COURT ORDERS AND DECLARES** that the reorganization of the capital of the Applicant under section 186 of the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended (the "**OBCA**"), by the (i) cancellation and extinguishment, without a return of capital or any other consideration, of all issued and outstanding Securities; (ii) amendment of the Applicant's Articles of Amalgamation by way of the Articles of Reorganization; and (iii) the issuance of the New Shares to the Sponsor Subsidiary, in the manner set forth in section 8.2(2) of the Plan and the Articles of Reorganization, be and is hereby approved, authorized and directed.

12. **THIS COURT ORDERS** that the Applicant is hereby authorized and directed to file the Articles of Reorganization in the form attached hereto as Schedule "**A**" with the Director appointed under the OBCA pursuant to section 186(4) of the OBCA prior to closing to reflect the reorganization approved in paragraph 11 above.

13. **THIS COURT ORDERS AND DECLARES** that at the Effective Time, all Securities shall and are hereby cancelled and extinguished without a return of capital or other consideration, compensation or relief of any kind to the holders thereof.

14. **THIS COURT ORDERS AND DECLARES** that at the Effective Time, all Claims against the Applicant (and any successor thereto or the Sponsor Subsidiary) in respect of the Securities (including, without limitation, any Claims against the Applicant resulting from the ownership, purchase or sale of the Securities by any current or former holder thereof, and any Claims for contribution or indemnity against the Applicant in respect of any such Claims) shall be and are hereby discharged and extinguished without a return of capital or other consideration, compensation or relief of any kind to the current or former holders thereof.

15. **THIS COURT ORDERS AND DIRECTS** the Applicant and the Transfer Agent to transfer the Common Shares and to issue the New Shares to the Sponsor Subsidiary pursuant to section 8.2(2) of the Plan and the Articles of Reorganization.

16. **THIS COURTS ORDERS AND DECLARES** that no meetings or votes of any holders of Securities or of Common Shares are required in connection with the Plan or the Reorganization.

17. **THIS COURT ORDERS AND DECLARES** that all New Shares issued to the Sponsor Subsidiary in connection with the Plan are validly issued and outstanding on and as of the Effective Time as fully-paid and non-assessable.

18. **THIS COURT ORDERS AND DECLARES** that at the Effective Time, all Claims against the Applicant (and any successor thereto or the Sponsor Subsidiary) in respect of the Common Shares (including, without limitation, any Claims against the Applicant resulting from the ownership, purchase or sale of the Common Shares by any current or former holder thereof, and any Claims for contribution or indemnity against the Applicant in respect of any such Claims) shall be and are hereby discharged and extinguished without a return of capital or other consideration, compensation or relief of any kind to the current or former holders thereof, and the Transfer Agent shall not be required to distribute the Transfer Price (CDN$ 1.00) to the holders of the Common Shares.

19. **THIS COURT ORDERS AND DECLARES** that, in accordance with the terms of the Plan, and the Articles of Reorganization, the legal and beneficial right, title and interest of the Sponsor Subsidiary in and to the Common Shares shall vest and hereby are vested as of the Effective Time in the Sponsor Subsidiary absolutely and forever, free and clear of and from any and all Claims.

20. **THIS COURT ORDERS** that upon implementation of the Plan in accordance with Section 8.2(2) thereof, the Applicant shall deliver to the Monitor and file with the Court a copy of a certificate stating that all conditions precedent set out in the Plan have been satisfied or waived, the Articles of Reorganization have been filed and have become effective as of the date set out in the Certificate of Amendment, the transactions set out in Section 8.2(2) of the Plan have occurred and become effective, and that the implementation of the Plan shall have occurred in accordance with the Plan at the Effective Time.

21. **THIS COURT ORDERS** that each Contract shall remain in full force and effect and no Person who is a party to any Contract shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand or declare any default, violation or breach under or in respect of any such Contract and no

automatic termination under or in respect of any such Contract will have any validity or effect, by reason:

(a) of the insolvency of the Applicant (or any of its subsidiaries on account of the insolvency of the Applicant) or the fact that the Applicant sought or obtained relief under the CCAA, that the CCAA Proceedings have been commenced or completed, or that the within restructuring or recapitalization has been implemented in respect of the Applicant; or

(b) of any compromises or arrangements effected pursuant to, or in connection with, the Plan or any action taken or transaction effected pursuant to the Plan, the Articles of Reorganization, any of the Restructuring Documents or this Sanction Order, including the change in control of the Applicant or any of its subsidiaries; provided, however, that nothing in this paragraph shall affect or otherwise limit any contractual right that an employee of the Applicant may have with respect to a change in control of the Applicant.

RELEASES, DISCHARGES AND INJUNCTIONS

22. **THIS COURT ORDERS AND DECLARES** that the compromises, arrangements, reorganizations, releases, discharges and other transactions contemplated in and by the Plan, including the Articles of Reorganization and the Restructuring Documents, including those granted by and for the benefit of the Released Parties, are integral components thereof and are necessary for, and vital to, the success of the Plan and that, effective on the Plan Implementation Date, all such releases, discharges and injunctions are hereby sanctioned, approved and given full force and effect in accordance with and subject to their respective terms.

23. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Plan, immediately upon the Plan Implementation Date having occurred, every Person (regardless of whether or not such Persons are Affected Creditors) hereby fully, finally, irrevocably and unconditionally releases and discharges each of the Released Parties of and from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on

account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Affected Claims, the Plan, the Articles of Reorganization, the cancellation of the Securities and the transfer of the Common Shares without consideration, compensation or relief of any kind, the Restructuring Documents, the CCAA Proceedings, the Reorganization or any of the transactions implemented in connection with any of the foregoing (collectively, the "**Released Claims**"); provided, however, that nothing herein shall release or discharge a Released Party: (i) from any of its obligations under the Plan, the Restructuring Documents, the Articles of Reorganization, the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing; (ii) if such Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or willful misconduct; or (iii) in the case of directors in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA or (iv) the EDC Claims.

24. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Plan, immediately upon the Plan Implementation Date having occurred, every Person (regardless of whether or not such Persons are Affected Creditors) hereby fully, finally, irrevocably and unconditionally releases and discharges the Applicant (and any successor thereto or the Sponsor Subsidiary) and the current and former officers and directors thereof of and from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter

arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Equity Claims; provided, however, that nothing herein shall release or discharge a director or current or former officer in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA.

25. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Plan, immediately upon the Plan Implementation Date having occurred, all Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Released Parties; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Released Parties or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against one or more of the Released Parties; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply to the enforcement of any obligations under Plan, the Restructuring Documents or the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing or in respect of any claim against a director of the kind referred to in subsection 5.1(2) of the CCAA.

26. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Plan, immediately upon the Plan Implementation Date having occurred, all Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Equity Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Applicant (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Applicant (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Applicant (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Applicant (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply in respect of any claim against a director or current or former officer of the kind referred to in subsection 5.1(2) of the CCAA.

27. **THIS COURT ORDERS** that, without limiting the generality of any provision of this Order or the Plan, immediately upon the Plan Implementation Date having occurred, all Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any claim of the kind referred to in subsection 5.1(2) of the CCAA, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings

of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Applicant (or any successor thereto or the Sponsor Subsidiary), or its property; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Applicant (or any successor thereto or the Sponsor Subsidiary), or its property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Applicant (or any successor thereto or the Sponsor Subsidiary) or its property; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Applicant (or any successor thereto or the Sponsor Subsidiary), or its property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; and that the sole recourse for any such claims against a current or former director or officer of the Applicant as of the date hereof shall be, and is hereby, limited to any recoveries available from the Applicant's insurance policies in respect of its current or former directors or officers, and that the holder of any such valid and proven claim shall be subrogated to the rights of any such director or officer to any insurance coverage available in respect of such a claim.

28. **THIS COURT ORDERS** that, pursuant to paragraphs 14 and 24 of this Order, the action styled as *Laneville v. Allen-Vanguard Corporation*, et al., Court File No. 64170, commenced at London (the "**Action**") is hereby dismissed without costs as against the Applicant. Notwithstanding the dismissal of the Action as against the Applicant and the full release of the Applicant from the claims in the Action pursuant to the Plan and this Order, the Applicant shall preserve all documentation within its possession, power and control relevant to the Action, pending further Order of the Court. This Order is without prejudice to: (a) the Plaintiff in the Action requesting documentary discovery and oral discovery of a representative of the Applicant under the provisions of R. 30.10 and R. 31.10 of the *Rules of Civil Procedure*; (b) the Plaintiff in the Action serving a summons to witness on an employee of the Applicant under the provisions

of R. 39.03 of the *Rules of Civil Procedure*; and (c) the Applicant's rights in responding to any such actions.

DISCHARGE OF MONITOR

29. **THIS COURT ORDERS** that as of the Effective Time, the Monitor shall be discharged and released and shall have no further obligations and responsibilities, save and expect with respect to any remaining duties and responsibilities required to give effect to the terms of the Plan and this Order.

30. **THIS COURT ORDERS** that the completion of the Monitor's duties shall be evidenced, and its final discharge shall be effected by the Monitor filing a certificate of discharge with this Court.

31. **THIS COURT ORDERS AND DECLARES** that the actions and conduct of the Monitor in the CCAA Proceedings are hereby approved and that the Monitor has satisfied all of its obligations up to and including the date of this Sanction Order, and that in addition to the protections in favour of the Monitor as set out in the Initial Order, the Monitor shall not be liable for any act or omission on the part of the Monitor, including with respect to any reliance thereof, including without limitation, with respect to any information disclosed, any act or omission pertaining to the discharge of duties under the Plan or as requested by the Applicant or with respect to any other duties or obligations in respect of the implementation of the Plan, save and except for any claim or liability arising out of any gross negligence or willful misconduct on the part of the Monitor. Subject to the foregoing, and in addition to the protections in favour of the Monitor as set out in the Orders of this Court, any Claims against the Monitor in connection with the performance of its duties as Monitor are hereby released, stayed, extinguished and forever barred and the Monitor shall have no liability in respect thereof.

32. **THIS COURT ORDERS** that no action or other proceeding shall be commenced against the Monitor in any way arising from or related to its capacity or conduct as Monitor except with prior leave of this Court and on prior written notice to the Monitor and such further order securing, as security for costs, the solicitor and his own client costs of the Monitor in connection with any proposed action or proceeding as the Court hearing the motion for leave to proceed may deem just and appropriate.

33. **THIS COURT ORDERS** that the Reports of the Monitor and the activities of the Monitor referred to therein be and are hereby approved.

CCAA CHARGES

34. **THIS COURT ORDERS** that the Director's Charge (as such term is defined in the Initial Order) is hereby discharged and released and of no further force or effect as of the Effective Time.

35. **THIS COURT ORDERS** that on the Plan Implementation Date, or as soon as reasonably practicable thereafter, the Applicant shall pay all professional fees and disbursements incurred at their standard rates due to the Monitor, counsel for the Monitor and counsel for the Applicant in respect of these proceedings for the period up to and including the Plan Implementation Date, to the extent not already paid in accordance with the terms of the Initial Order, and upon such payments having been made by the Applicant, the Monitor shall file an acknowledgment confirming same with the Court (with a copy to the Sponsor) at which time the Administration Charge (as such term is defined in the Initial Order) shall hereby be discharged and released and of no further force or effect or, failing the filing of such acknowledgement by the Monitor, at such time as determined by this Honourable Court.

INITIAL ORDER AND OTHER ORDERS

36. **THIS COURT ORDERS** that:

(a) except to the extent that the Initial Order has been varied by or is inconsistent with this Order or any further Order, the provisions of the Initial Order shall remain in full force and effect until the Effective Time; provided that the protection granted in favour of the Monitor in the Initial Order shall continue in full force and effect after the Effective Time;

(b) the stay of proceedings set out in the Initial Order is hereby extended until the Effective Time without further order of this Court.

EFFECT, RECOGNITION, ASSISTANCE

37. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada, outside Canada and against all Persons against whom it may otherwise be enforceable.

38. **THIS COURT REQUESTS** the aid, recognition and assistance of other courts in Canada in accordance with Section 17 of the CCAA and requests that the Federal Court of Canada and the courts and judicial, regulatory and administrative bodies of or by the provinces and territories of Canada, the Parliament of Canada, the United States of America, the states and other subdivisions of the United States of America including, without limitation, the U.S. District Court, the United Kingdom, Ireland, India and other nations and states act in aid, recognition and assistance of, and be complementary to, this Court in carrying out the terms of this Order and any other Order in this proceeding. Each of the Applicant, the Monitor and the Sponsor shall be at liberty, and is hereby authorized and empowered, to make such further applications, motions or proceedings to or before such other court and judicial, regulatory and administrative bodies, and take such other steps, in Canada, the United States of America, the United Kingdom, Ireland, India, and other nations as may be necessary or advisable to give effect to this Order.

39. **THIS COURT ORDERS** that, in the event that the Affected Creditors and the Sponsor cannot resolve the quantum of the equity injection to be made by the Sponsor pursuant to the Transaction Agreement prior to the Effective Time, such quantum shall be determined by this Honourable Court on an expedited basis (within thirty days or less, subject to Court availability) on a mutually agreed timetable and process between the Affected Creditors and the Sponsor. Prior to the Effective Time, the Affected Creditors, the Sponsor and the Allen-Vanguard Parties shall agree on amended terms to the Credit Agreement and any other agreements among them required to outline the mechanism to resolve the quantum of the equity injection and related matters.

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

DEC 16 2009

PER / PAR: JSN **Joanne Nicoara**
Registrar, Superior Court of Justice

Schedule "A"

Articles of Reorganization

For Ministry Use Only
À l'usage exclusif du ministère

Ontario Corporation Number
Numéro de la société en Ontario

1633813

Form 9
Business Corporations Act

Formule 9
Loi sur les sociétés par actions

ARTICLES OF REORGANIZATION
STATUTS DE RÉORGANISATION

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)
Dénomination sociale de la société : (Écrire en LETTRES MAJUSCULES SEULEMENT) :

ALLEN-VANGUARD CORPORATION

2. The new name of the corporation if changed by the reorganization: (Set out in BLOCK CAPITAL LETTERS)
Nouvelle dénomination sociale de la société si elle est modifiée par suite de la réorganisation : (Écrire en LETTRES MAJUSCULES SEULEMENT) :

3. Date of incorporation/amalgamation: / *Date de la constitution ou de la fusion :*

2005 February 10

Year, Month, Day / *année, mois, jour*

4. The reorganization was ordered by the court on / *La cour a ordonné la réorganisation le*

[DATE TO BE INSERTED PRIOR TO FILING]

Year, Month, Day / *année, mois, jour*

and a certified copy of the Order of the court is attached to these articles as Exhibit "A". / *une copie certifiée conforme de l'ordonnance de la cour constitue l'annexe «A».*

5. In accordance with the Order for reorganization the articles of the corporation are amended as follows:
Conformément à l'ordonnance de réorganisation, les statuts de la société sont modifiés de la façon suivante :

Amend the rights, privileges, restrictions and conditions attaching to the common shares by adding the provisions set out in Schedule 1 and Schedule 2 which are attached to these articles.

SCHEDULE 1
TO THE ARTICLES OF REORGANIZATION OF
ALLEN-VANGUARD CORPORATION

The additional rights, privileges, restrictions and conditions attaching to the common shares as a class shall be as follows:

1. Defined Terms

For the purposes of paragraphs 2 and 3 hereof:

(a) "**Corporation**" means Allen-Vanguard Corporation;

(b) "**Contego AV**" means Contego AV Luxembourg S.à r.l., a Luxembourg S.à r.l.;

(c) "**Transfer**" has the meaning ascribed to such term in paragraph 2(b) hereof;

(d) "**Transfer Agent**" means CIBC Mellon Trust Company;

(e) "**Transfer Date**" means the date upon which the Transfer Notice is delivered to the Transfer Agent in accordance with paragraph 2(a) hereof;

(f) "**Transfer Price**" means $1.00;

(g) "**Transfer Notice**" means the notice advising of the Transfer, substantially in the form attached hereto as Schedule 2; and

(h) "**Transfer Time**" means the time the Transfer Notice is delivered to the Transfer Agent on the Transfer Date in accordance with paragraph 2(a) hereof.

2. Transfer

(a) At any time, the Corporation may cause the Transfer through the delivery by the Corporation of the Transfer Notice to the Transfer Agent by hand delivery to an authorized signing officer of the Transfer Agent, which delivery shall be deemed to be delivery of the Transfer Notice to each holder of common shares of the Corporation, with a copy to Contego AV by delivery to an authorized signing officer of Contego AV.

(b) In the event the Transfer Notice is delivered by the Corporation in accordance with paragraph 2(a) hereof, at the Transfer Time, each holder of common shares shall be deemed to have transferred, to Contego AV all of such person's right, title and interest in and to its common shares and Contego AV shall acquire, and shall be deemed to have acquired, from each such holder of common shares all, but not less than all, of the common shares held by each such holder (which transfer and acquisitions are referred to herein as the "**Transfer**") and, at the Transfer Time, each holder of common shares shall not be entitled to exercise any of the rights of a holder of common shares in respect thereof other than the right to receive its pro rata share of the Transfer Price for the common shares.

(c) Contego AV shall, on the Transfer Date, deposit with, or otherwise cause to be deposited with, the Transfer Agent sufficient funds to pay the Transfer Price to the holders of the common shares and, in the event that the Transfer Notice is delivered by the Corporation in accordance with paragraph 2(a) hereof, such deposit shall constitute a full and complete discharge of Contego AV's obligation to pay the Transfer Price to the holders of the common shares. On and after the Transfer Time, any such money deposited with the Transfer Agent shall be held by the Transfer Agent as agent for the holders of the common shares, and receipt of payment by the Transfer Agent shall be deemed to constitute payment of the Transfer Price to the holders of the common shares for all of the common shares transferred pursuant to the Transfer. The holders of the common shares transferred pursuant to the Transfer shall be entitled to receive their pro rata share of the Transfer Price (rounded down to the nearest $0.01), without interest, for the common shares so transferred, (i) on presentation and surrender of the certificate or certificates representing all common shares held by such holder (or, in respect of any such certificate or certificates which have been lost, destroyed or wrongfully taken, an indemnity bond together with an affidavit confirming ownership, each in a form satisfactory to Contego AV, acting reasonably) or any other evidence of ownership with respect to the common shares which is satisfactory to Contego AV, acting reasonably, and (ii) on presentation of a fully completed and duly executed letter of transmittal in a form acceptable to Contego AV and the Transfer Agent, acting reasonably, provided that no holder shall be entitled to receive an amount less than $0.01. Should any holder of any common shares transferred pursuant to the Transfer fail to present and surrender the above mentioned documentation, Contego AV shall have the right, after four (4) years from the Transfer Date, to have all remaining funds deposited with the Transfer Agent returned to Contego AV and Contego AV shall thereafter be responsible for payment of the Transfer Price to any former holder of a common share upon presentation and surrender of such documentation as Contego AV may require.

3. If the Transfer Notice has not been delivered to the Transfer Agent in accordance with paragraph 2(a) hereof on or prior to 11:59 p.m. on the date that is two (2) business days after the date on which the certificate of amendment is received by the Corporation from the Ministry of Government Services, the provisions of paragraphs 1 and 2 hereof shall be of no force or effect.

SCHEDULE 2
TO THE ARTICLES OF REORGANIZATION OF
ALLEN-VANGUARD CORPORATION

TRANSFER NOTICE

TO: CIBC Mellon Trust Company

COPY TO: Contego AV Luxembourg S.à r.l.

FROM: Allen-Vanguard Corporation

DATE: **[insert date]**

All capitalized terms in this Transfer Notice that are not defined herein have the meaning ascribed to such terms in the share provisions attaching to the common shares of Allen-Vanguard Corporation.

In accordance with the share provisions attaching to the common shares, Allen-Vanguard Corporation hereby gives notice to the Transfer Agent and Contego AV Luxembourg S.à r.l. of the Transfer.

ALLEN-VANGUARD CORPORATION

Per: _____
Name:
Title:

Date on which this Transfer Notice is delivered to the Transfer Agent: _____

Time on the Transfer Date this Transfer Notice is delivered to the Transfer Agent: _____

6. The terms and conditions to which the reorganization is made subject by the Order have been complied with.
Les conditions que l'ordonnance impose à la réorganisation ont été respectées.

These articles are submitted under section 186 of the *Business Corporations Act* and are signed in duplicate.
Les présents statuts sont déposés en vertu de l'article 186 de la Loi sur les sociétés par actions. *Ils sont signés en double exemplaire.*

ALLEN-VANGUARD CORPORATION

Name of Corporation / *Dénomination sociale de la société*

By/
Par :

[TO BE COMPLETED]

Signature / *Signature*

Description of Office / *Fonction*

EXHIBIT A
TO THE ARTICLES OF REORGANIZATION OF
ALLEN-VANGUARD CORPORATION

CERTIFIED COPY OF THE ORDER OF THE COURT

Schedule "B"

Amendments

Section 8.6(i)

- **Delete current section 8.6(i) and replace with:**

(i) At the Effective Time, the Released Parties will be released and discharged or deemed to be released and discharged by each of the other Released Parties and all Affected Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Affected Claims, this Plan, the Articles of Reorganization, the cancellation of the Securities and the transfer of the Common Shares without consideration, compensation or relief of any kind, the Restructuring Documents, the CCAA Proceedings, the Reorganization or any of the transactions implemented in connection with any of the foregoing (collectively, the "**Released Claims**"); provided, however, that nothing herein shall release or discharge a Released Party: (i) from any of its obligations under the Plan, the Restructuring Documents, the Articles of Reorganization, the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing; (ii) if such Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or willful misconduct; or (iii) in the case of directors in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA or (iv) the EDC Claims.

Section 8.6(ii)

- **Delete current section 8.6(ii) and replace with:**

(ii) At the Effective Time, the Company and the current and former officers and directors thereof will be released and discharged or deemed to be released and discharged by each other and all Affected Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other

recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Equity Claims; provided, however, that nothing herein shall release a director or current or former officer in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA.

Section 8.7(ii)

- **Delete current section 8.7(ii) and replace with:**

(ii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Equity Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply in respect of any claim against a director or current or former officer of the kind referred to in subsection 5.1(2) of the CCAA.

Section 8.7(iii)

- **Delete current section 8.7(iii) and replace with:**

(iii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any claim of the kind referred to in subsection 5.1(2) of the CCAA, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary) or its property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; and the sole recourse for any such claims against a current or former director or officer of the Company as of the date hereof shall be, and is hereby, limited to any recoveries available from the Company's insurance policies in respect of its current or former directors or officers, and that the holder of any such valid and proven claim shall be subrogated to the rights of any such director or officer to any insurance coverage available in respect of such a claim.

Schedule "C"

Blackline of Amendments

Section 8.6(i):

(i) At the Effective Time, the Released Parties will be released and discharged or deemed to be released and discharged by each of the other Released Parties and all Affected Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Affected Claims, this Plan, the Articles of Reorganization, the cancellation of the Securities and the transfer of the Common Shares without consideration, compensation or relief of any kind, the Restructuring Documents, the CCAA Proceedings, the Reorganization or any of the transactions implemented in connection with any of the foregoing (collectively, the "**Released Claims**"); provided, however, that nothing herein shall release or discharge a Released Party: (i) from any of its obligations under the Plan, the Restructuring Documents, the Articles of Reorganization, the Transaction Agreement or any other agreement which the Plan Participants or some of them may have entered into in connection with any of the foregoing; (ii) if such Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed gross negligence, fraud or willful misconduct; or (iii) in the case of directors in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA or (iv) the EDC Claims.

Section 8.6(ii):

(ii) At the Effective Time, the Company and the current and former officers and directors thereof will be released and discharged or deemed to be released and discharged by each other and all Affected Creditors and all other Persons from any and all demands, claims, actions (including any class actions or proceedings before an administrative tribunal), causes of action, grievances, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any such Person may be entitled to assert, including, without limitation, any and all claims for accounting, reconciliation, contribution or indemnity, restitution or otherwise, whether known or unknown, matured or unmatured, direct, indirect or

derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing, termination, disclaimer or repudiation of any contract, lease or other agreement, whether written or oral or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Equity Claims; provided, however, that nothing herein shall release a director or current or former officer in respect of any claim of the kind referred to in subsection 5.1(2) of the CCAA.

Section 8.7(ii):

(ii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any and all Equity Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or any current or former officer or director thereof; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary), any current or former officer or director thereof, or their property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; provided, however, that the foregoing shall not apply in respect of any claim against a director or current or former officer of the kind referred to in subsection 5.1(2) of the CCAA.

Section 8.7(iii):

(iii) All Persons (regardless of whether or not such Persons are Affected Creditors) are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to any claim ~~against a current or former director of the Company as of the date hereof~~ of the kind referred to in subsection 5.1(2) of the CCAA, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against the Company (or any successor thereto or the Sponsor Subsidiary) or ~~any current or former officer thereof~~its property; (ii) enforcing, levying, attaching, collecting or

otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against the Company (or any successor thereto or the Sponsor Subsidiary)~~, any current or former officer thereof, or their~~ or its property; (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation, by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who makes such a claim or might reasonably be expected to make such a claim, in any manner or forum, against the Company (or any successor thereto or the Sponsor Subsidiary) or ~~any current or former officer thereof~~its property; (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Company (or any successor thereto or the Sponsor Subsidiary)~~, any current or former officer thereof, or their~~ or its property; or (v) taking any actions to interfere with the implementation or consummation of this Plan; and the sole recourse for any such claims against a current or former director or officer of the Company as of the date hereof shall be, and is hereby, limited to any recoveries available from the Company's insurance policies in respect of its current or former directors or officers, and that the holder of any such valid and proven claim shall be subrogated to the rights of any such director or officer to any insurance coverage available in respect of such a claim.

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

AND IN THE MATTER OF A PLAN OF ARRANGEMENT AND REORGANIZATION OF ALLEN-VANGUARD CORPORATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND SECTION 186 OF THE ONTARIO *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS AMENDED

Court File No. CV-09-00008502-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

SANCTION ORDER

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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 - COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD OF CROSS-MOTION OF THE APPLICANT

(RE: ALLEN-VANGUARD MINI TRIAL RETURNABLE FEBRUARY 11, 2014)

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