

Alvarez & Marsal Canada Inc. as Court-appointed Receiver and Manager of Pakit Inc. (“Receiver Manager”) is offering its right, title and interest in the assets of Pakit Inc. for sale based on the below noted summary bidding procedures. The Receiver Manager intends to follow the procedures generally outlined and elaborated upon in the Bidding Procedures included in this document.

If you have any questions regarding the Bidding Procedures, please contact Mr. Tom Powell at 604.639.0846.

Please note a copy of the Business Opportunity Overview and Confidentiality Agreement are also located in the “Sales Process and Bidding Procedures” link of this website.

Date	Description of Bidding Procedures
March 9	Initial Business Opportunity Overview distribution, potential purchaser identification, confidentiality agreement ("CA") to be made available on the Receiver Manager's website
March 12 to April 12	Phase I process outlines certain participant requirements, including proof of financial ability to close the contemplated transaction. Subject to a signed CA and as determined by the Receiver Manager, certain due diligence information will be provided to potential purchasers
On or before April 12 at 10:00am PST	"Phase I Deadline" - Submission of a non-binding letter of interest with a \$250,000 "Initial Deposit"
April 12	"Template Purchase Agreement" to be made available on the Receiver Manager's website
April 13 - May 11	Phase II process available to "Qualifying Phase 1 Bidders" - additional due diligence
On or before May 11 at 10:00am PST	"Phase II Deadline" - Submission of Phase II Bid (Purchase Agreement) with a "Deposit", inclusive of the Initial Deposit, equal to the greater of 20% of the purchase price or \$2,000,000.
On or before 5 business days after May 11	If there are 2 or more competing "Qualified Phase II Bids", an auction process may be followed

BIDDING PROCEDURES

On July 28, 2011, Pakit Inc. (the "**Debtor**") filed an application before the Supreme Court of British Columbia (the "**Court**") pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**"). The Court granted an order (the "**Initial Order**") on that date, granting the Debtor the protections afforded by a stay of proceedings while the Debtor pursued sources of new funding and related restructuring initiatives under the CCAA. The Initial Order also

appointed Alvarez & Marsal Canada Inc. as monitor of the business and financial affairs of the Debtor pursuant to the CCAA.

On February 2, 2012, the stay of proceedings provided for in the Initial Order expired, and pursuant to an order of the Court dated February 2, 2012, Alvarez & Marsal Canada Inc. was appointed as receiver and manager of the assets and undertakings of the Debtor (Alvarez & Marsal Canada Inc., in such capacity, the “**Receiver**”) under the *Bankruptcy and Insolvency Act* (Canada) and the *Law and Equity Act* (British Columbia) (the “**Receivership Proceedings**”).

The Receiver intends to follow *certain* bidding procedures for the solicitation of offers or proposals (each a “**Bid**”) for the acquisition of all or substantially all of the assets of the Debtor (the “**Purchased Assets**”) as outlined in this document (the “**Bidding Procedures**”).

All denominations are in Canadian Dollars.

1. Assets for Sale

The Receiver is soliciting Bids for all of its and the Debtor’s right, title and interest in and to the Purchased Assets.

2. Bidding Deadlines

All Phase I Bids (as defined below) must be submitted in accordance with the terms of these Bidding Procedures so that they are actually received by each of the Notice Parties (as defined below) no later than 10:00 a.m. (Pacific time) on April 12, 2012 (the “**Phase I Bid Deadline**”). All Phase II Bids (as defined below) must be submitted in accordance with the terms of these Bidding Procedures so that they are actually received by each of the Notice Parties no later than 10:00 a.m. (Pacific time) on May 11, 2012 (the “**Phase II Bid Deadline**”).

Written copies of the Bids shall be delivered by the applicable deadline to: (a) the Receiver at: Alvarez & Marsal Canada Inc., 400 Burrard Street, Suite 1680, Commerce Place, Vancouver, BC V6C 3A6, Attn: Pam Boparai, pboparai@alvarezandmarsal.com, and (b) counsel to the Receiver at: Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, P.O. Box 48600, Vancouver, BC V7X 1T2, Attn: Magnus Verbrugge, mverbrugge@blg.com (collectively, the “**Notice Parties**”).

A Bid received by a Notice Party after the Phase I Bid Deadline shall not constitute a Phase I Bid and a Phase II Bid received by a Notice Party after the Phase II Bid Deadline shall not constitute a Qualified Phase II Bid (as defined below). A Bid shall be delivered to all Notice Parties at the same time. Interested bidders requesting information about the qualification process and information in connection with their due diligence, should contact the Receiver at the contact information set out above.

3. Access to Due Diligence Materials

Parties that execute a Confidentiality Agreement (as defined below) are, at the discretion of the Receiver, eligible to receive due diligence access or additional non-public information

("Access") upon receipt by the Receiver of such Confidentiality Agreement. Such party's Access shall terminate if and when the earliest of the following events occur:

- (a) such party does not submit a Phase I Bid by the Phase I Bid Deadline;
- (b) the Receiver determines that such party does not constitute a Qualified Phase I Bidder (as defined below);
- (c) such party does not submit a Phase II Bid by the Phase II Bid Deadline;
- (d) the Receiver determines that such party does not constitute a Qualified Phase II Bidder (as defined below);
- (e) such party does not participate in the Auction or if the Auction does not occur; or
- (f) at the end of the Auction.

Notwithstanding that a party's Access may continue until the end of the Auction, the Receiver shall not be obligated to furnish any due diligence information after the Phase II Bid Deadline.

The Receiver will designate an employee or other representative to coordinate all reasonable requests for due diligence access or additional non-public information from all bidders eligible to receive such access and information in accordance with this Section 3. The Receiver is not responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the sale of the Purchased Assets.

4. Due Diligence From Bidders

Each Phase I Bidder (as defined below) and each Phase II Bidder (as defined below) (each, a "**Bidder**") shall comply with all reasonable requests for additional information by the Receiver regarding such Bidder and its contemplated transaction. Failure by a Bidder to comply with requests for additional information will be a basis for the Receiver to determine that the Bidder is not a Qualified Phase I Bidder or Qualified Phase II Bidder, as applicable.

5. Bidding Procedures

The Receiver, with the assistance of its advisors, shall: (a) coordinate the efforts of Bidders in conducting their due diligence investigations, as permitted by the provisions herein; (b) receive Phase I Bids from interested parties; (c) determine whether a Phase I Bidder is a Qualified Phase I Bidder; (d) receive Phase II Bids from Qualified Phase I Bidders; (e) determine whether a Phase II Bidder is a Qualified Phase II Bidder; and (f) negotiate offers made by Bidders in accordance with these Bidding Procedures. Subject to these Bidding Procedures, the Receiver shall have the right to adopt such other rules for these Bidding Procedures (including rules that may depart from those set forth herein), that in its reasonable business judgment will better promote the goals of these Bidding Procedures.

6. Phase I Participant Requirements

To participate in the process detailed by these Bidding Procedures an executed confidentiality agreement (a “**Confidentiality Agreement**”) in form and substance acceptable to the Receiver and its counsel, and on substantially the same terms as the template confidentiality agreement available on the Receiver’s website established in connection with the Receivership Proceedings must be received by the Receiver. The Confidentiality Agreement is available on the Receiver’s website at <http://www.alvarezandmarsal.com/pakit/>) (the “**Receiver’s Website**”) and available from the Receiver upon request. To otherwise be considered for any purpose hereunder, an interested party must submit an initial Bid to the Notice Parties on or before the Phase I Bid Deadline (a “**Phase I Bid**” and each party who so submits a Phase I Bid, a “**Phase I Bidder**”). Each Phase I Bidder must satisfactorily provide the Receiver with each of the following on or before the Phase I Bid Deadline:

- (a) Identification of Phase I Bidder. Identification of the Phase I Bidder and any Principals (as defined below), and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated transaction;
- (b) Non-Binding Expression of Interest. An executed non-binding indication of interest satisfactory to the Receiver that reasonably identifies the contemplated transaction, including the assets proposed to be acquired, the proposed purchase price, and any contingencies and conditions precedent to closing;
- (c) Corporate Authority. Written evidence of the Phase I Bidder’s chief executive officer or other appropriate senior executive’s approval of the contemplated transaction; and, if the Phase I Bidder is an entity specially formed for the purpose of effectuating the contemplated transaction, then the Phase I Bidder must furnish written evidence reasonably acceptable to the Receiver of the approval of the contemplated transaction by the equity holder(s) of such Phase I Bidder and any guarantor(s) of the Bid (the “**Principals**”);
- (d) Proof of Financial Ability to Perform. Written evidence upon which the Receiver may reasonably conclude that the Phase I Bidder has the necessary financial ability to close the contemplated transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction; and
- (e) Deposit. The Phase I Bid must be accompanied by a cash deposit of \$250,000 (the “**Initial Deposit**”), and the Initial Deposit shall be paid to the Receiver, to be held by the Receiver in trust in accordance with these Bidding Procedures.

7. Designation as Qualified Phase I Bidder

A “**Qualified Phase I Bidder**” is a Phase I Bidder that the Receiver, with the assistance of its advisors, determines (i) has satisfied all of the requirements described in Section 6 above, (ii) is reasonably likely to submit a binding *bona fide* offer that would result in value being received for the Purchased Assets for the benefit of the Debtor’s creditors; and (iii) would be

able to consummate the transaction contemplated by its Phase I Bid if selected as a Successful Bidder (as defined below).

Upon the receipt from a Phase I Bidder of all of the deliveries required under Section 6 above, the Receiver shall notify such Phase I Bidder with respect to whether it is a Qualified Phase I Bidder as soon as practicable after the Phase I Bid Deadline.

Notwithstanding the requirements of Section 6 or this Section 7, Fairfax, or an affiliate or nominee, is and is deemed to be a Qualified Phase I Bidder for all purposes of these Bidding Procedures.

8. Phase II Bid Requirements

Only Qualified Phase I Bidders shall be entitled to submit a Phase II Bid. To participate in the Auction (as defined below), a Qualified Phase I Bidder must submit a Bid to the Notice Parties on or before the Phase II Bid Deadline (a "**Phase II Bid**" and each party who so submits a Phase II Bid is a "**Phase II Bidder**"), and the Phase II Bid must be determined by the Receiver, with the assistance of its advisors, to satisfy each of the following conditions:

- (a) Form and Content of Phase II Bid. The Phase II Bid must be in the form of an executed mark-up of the template asset purchase agreement available on the Receiver's Website and available from the Receiver upon request (the "**Template Purchase Agreement**"), on or before April 12, 2012, reflecting such Phase II Bidder's proposed changes to the Template Purchase Agreement, and must contain a written and binding commitment by the Phase II Bidder to close on the terms and conditions set forth therein;
- (b) Irrevocable. The Phase II Bid must be irrevocable until the earlier of (i) thirty (30) days after an Order from the Court is entered approving the sale of the Purchased Assets; and (ii) two (2) business days after the Purchased Assets have been sold pursuant to the closing of the sale or sales approved by the Court;
- (c) Contingencies. The Phase II Bid may not be conditional on obtaining financing or any internal approval or on the outcome or review of due diligence. Any other contingencies associated with a Phase II Bid may not, in aggregate, in the Receiver's reasonable business judgment, be more burdensome than those set forth in the Template Purchase Agreement;
- (d) Financing Sources. The Phase II Bid must include written evidence of a commitment for financing that is not contingent, or, other evidence of ability to finance, as determined in the Receiver's reasonable business judgment, to consummate the transaction contemplated by the Phase II Bid. Notwithstanding anything herein to the contrary, if the Receiver determines, in its reasonable business judgment, that a Phase II Bidder has satisfied all conditions to becoming a Qualified Phase II Bidder other than the condition set forth in this Section 8(d), the Receiver may allow an extension of no more than ten (10) days beyond the Phase II Bid Deadline for such Phase II Bidder to satisfy the condition set forth in this Section 8(d);

- (e) No Fees payable to Qualified Bidder. The Phase II Bid may not request or entitle the Phase II Bidder to any break-up fee, expense reimbursement or similar type of payment; and
- (f) Deposit. The Phase II Bid must be accompanied by a cash deposit (the “**Deposit**”) in an amount equal to the greater of (i) \$2,000,000; and (ii) twenty (20) percent of the purchase price, (both inclusive of the Initial Deposit already submitted) and the Deposit shall be paid to the Receiver, to be held by the Receiver in trust in accordance with these Bidding Procedures.

9. Designation as Qualified Phase II Bidder

A “**Qualified Phase II Bidder**” is a Phase II Bidder that satisfies all of the conditions set out in Section 8 above, and the Phase II Bid submitted by such Qualified Phase II Bidder is a “**Qualified Phase II Bid**”.

10. Auction

If the Receiver has determined on or before 5 business days after the Phase II Bid Deadline (or 11 days after the Phase II Bid Deadline, if an extension is granted in accordance with Section 8(d)) that there are at least two (2) Qualified Phase II Bids the Receiver may conduct an auction (the “**Auction**”) to determine the highest and/or best Bid with respect to the Purchased Assets. The Auction shall commence no later than 5 business days after the Phase II Bid Deadline (or 11 days after the Phase II Bid Deadline, if an extension is granted in accordance with Section 8(d)) at 10:00 a.m. (Pacific Time); at the offices of Alvarez & Marsal Canada Inc., 400 Burrard Street, Suite 1680, Commerce Place, Vancouver, BC V6C 3A6, or such other location as shall be determined by the Receiver.

If the Receiver determines that there is only one Qualified Phase II Bid, (i) the Auction will not take place; (ii) such Qualified Phase II Bid shall be declared the Successful Bid (as defined below); (iii) the Receiver shall seek approval of, and authority to consummate, such Qualified Phase II Bid and the transactions provided for therein at the Sale Hearing (as defined below); and (iv) the Receiver shall post notice of such facts on the Receiver’s Website.

If the Auction does take place, the Auction shall be conducted according to the following procedures:

- (a) Participation At The Auction. The Receiver and its professionals shall direct and preside over the Auction. Only a Qualified Phase II Bidder is eligible to participate at the Auction and only their authorized representatives (including counsel and other advisors) and the Receiver shall be permitted to attend at the Auction.
- (b) Rounds. Bidding at the Auction shall be conducted in rounds. The highest Qualified Phase II Bid at the beginning of the Auction shall constitute the “**Opening Bid**” for the first round and the highest Overbid (as defined below) at the end of each round shall constitute the “**Opening Bid**” for the following round. In each round, a Qualified Phase II Bidder may submit no more than one

Overbid. If at the end of any round of bidding, a Qualified Phase II Bidder (other than the Qualified Phase II Bidder that submitted the Opening Bid for such round) fails to submit an Overbid, then such Qualified Phase II Bidder shall not be entitled to participate further in the Auction.

- (c) Bid Assessment Criteria. The determination of which Qualified Phase II Bid constitutes the Opening Bid in the first round of bidding and the determination of which Overbid constitutes the Opening Bid for each subsequent round of bidding shall take into account any factors the Receiver, with the assistance of its advisors, reasonably deems relevant to the value of the applicable Bids to the Debtor, including, among other things, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities; (iii) the ability of the Qualified Phase II Bidder to close the proposed transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing; (v) any purchase-price adjustments; (vi) the impact of the contemplated transaction on any actual or potential litigation; (vii) the net after-tax consideration to be received by the Receiver; and (viii) such other considerations as the Receiver deems relevant in its reasonable business judgment.

- (d) Overbids. All Bids made at the Auction (“**Overbid**”) must satisfy the following conditions:

- (i) Minimum Overbid Increment

The amount of the cash purchase price consideration of any Overbid shall not be less than the cash purchase price consideration of the then existing highest and/or best Overbid/Opening Bid, plus \$250,000 or such lower amount as the Receiver may determine in order to facilitate the Auction.

- (ii) Remaining terms are the same as for Qualified Phase II Bids

Except as modified herein, an Overbid must comply with the conditions for a Phase II Bid set forth in Section 8 above, (A) including without limitation that the Successful Bid and Back-Up Bid must be accompanied by a Deposit which must be equal to twenty percent (20%) of the total cash purchase price contemplated by such Successful Bid and Back-Up Bid (less the Deposits and Initial Deposit already submitted), and (B) provided, however, that the Phase II Bid Deadline shall not apply.

- (iii) Announcing Highest Overbids

At the end of each round of bidding, the Receiver shall, with the assistance of its advisors, (i) immediately review all Overbids made in such round, (ii) identify the highest and/or best such Overbid, and (iii) announce the terms of such highest and/or best Overbid to all Qualified Phase II Bidders entitled to participate in the next round of the Auction.

- (e) Adjournments. The Receiver reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction.
- (f) Additional Procedures. The Receiver may, with the assistance of its advisors, adopt rules for the Auction at or prior to the Auction that will better promote the goals of the Auction and that are not inconsistent with any of the provisions of these Bidding Procedures; provided that no such rules may change the following requirements: (i) all Overbids shall, unless otherwise specified by the Receiver, be made on an open (i.e. non-confidential) basis, within a defined period, (ii) the true identity of each Qualified Phase II Bidder – i.e., Principals submitting the Bid – shall be fully disclosed to all other Qualified Bidders unless otherwise specified by the Receiver and (iii) all material terms of the Opening Bid for each round of bidding will be fully disclosed to all other Qualified Bidders;
- (g) Closing the Auction. If, in any round of bidding, no new Overbid is made, the Auction shall be closed and the Receiver shall, with the assistance of its advisors (i) record the highest and/or best Overbid from the previous round (or the Opening Bid, if no Overbids were made in the first round of bidding) as the successful Bid (the “**Successful Bid**” and the entity or entities submitting such Successful Bid, the “**Successful Bidder**”); (ii) immediately identify and record the next highest and/or best Overbid to the Successful Bid (the “**Back-Up Bid**” and the entity or entities submitting such Back-Up Bid, the “**Back-Up Bidder**”); and (iii) advise the Successful Bidder and the Back-Up Bidder of such determinations.
- (h) Consent to Jurisdiction as Condition to Bid. All Qualified Phase II Bidders at the Auction shall be deemed to have consented to the jurisdiction of the Court and waived any right to a jury trial in connection with any disputes relating to the Auction, and the construction and enforcement of the Bidder’s transaction document, as applicable.

11. Acceptance of Successful Bid

The Receiver shall complete the sale transaction with the Successful Bidder following approval of the Successful Bid by the Court. The Receiver will be deemed to have accepted the Successful Bid only when the Successful Bid has been approved by the Court. The Receiver will be deemed to have accepted the Back-Up Bid only if the sale transaction with the Successful Bidder does not close when it has been approved by the Court and has been deemed to be the Successful Bid.

12. “As Is, Where Is”

The sale of Purchased Assets pursuant to these Bidding Procedures shall be on an “as is, where is” basis and without representations or warranties of any kind, nature, or description by the Debtor or the Receiver, their agents or estates except to the extent set forth in the purchase agreement of the Successful Bidder. Each Qualified Phase II Bidder shall be deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Purchased Assets prior to making its offer, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the Purchased

Assets in making its Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Purchased Assets, or the completeness of any information provided in connection therewith or the Auction, except as expressly stated in these Bidding Procedures or, as to the Successful Bidder, the terms of the sale of the Purchased Assets shall be set forth in Successful Bidder's purchase agreement.

13. Free Of Any And All Encumbrances

Except as otherwise provided in the Successful Bidder's purchase agreement, all of the Debtor's right, title, and interest in and to the Purchased Assets subject thereto shall be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "**Encumbrances**") in accordance with a vesting order of the Court, with such Encumbrances to attach to the net proceeds of the sale of the Purchased Assets.

14. Sale Hearing

The Receiver shall, within five (5) business days of the conclusion of the Auction, serve a notice of application (the "**Sale Hearing**") to approve the sale of the Purchased Assets to the Successful Bidder. The Sale Hearing shall be conducted by the Court as soon as possible thereafter at 800 Smithe street, Vancouver, British Columbia. Following the approval of the sale to the Successful Bidder at the Sale Hearing, if such Successful Bidder fails to consummate the sale in accordance with the terms and conditions of the purchase agreement of the Successful Bidder within five (5) business days of the Sales Hearing, the Receiver shall be authorized, but not required, to deem the Back-Up Bid (if any), as disclosed at the Sale Hearing, the Successful Bid and the Receiver shall be authorized, but not required, to consummate the sale with the Back-Up Bidder, subject to approval by the Court, which approval may be sought by the Receiver on a conditional basis at the Sale Hearing, at the Receiver's discretion.

15. Return of Deposits

All Initial Deposits and Deposits shall be held in an interest-bearing account. Initial Deposits of all Phase I Bidders who do not submit a Qualified Phase II Bid shall be returned to such Phase I Bidder two (2) business days after the Phase II Bid Deadline. Initial Deposits and Deposits of all Qualified Phase II Bidders, other than the Successful Bidder and the Back-Up Bidder (if applicable) shall be returned to such Qualified Phase II Bidders two (2) business days after the selection of the Successful Bidder and Back-Up Bidder. The Initial Deposit and Deposit of the Successful Bidder shall be applied to the purchase price of such transaction at closing. The Initial Deposit and Deposit of the Back-Up Bidder (if there is a Back-Up Bidder) shall be held in an interest-bearing account until two (2) business days after the closing of the transactions contemplated by the Successful Bid, and thereafter returned to the Back-Up Bidder. If a Successful Bidder fails to consummate an approved sale because of a breach or failure to perform on the part of such Successful Bidder, the Receiver shall be entitled to retain half of the Deposits (including the Initial Deposit) of the Successful Bidder as part of their damages resulting from the breach or failure to perform by the Successful Bidder. If the Successful Bidder fails to consummate an approved sale for any reason, and a transaction is completed with the Back-Up Bidder, the Deposits (including the Initial Deposit) of the Back-Up Bidder

shall be applied to the purchase price of the transactions contemplated by the purchase agreement of the Back-Up Bidder at closing.

16. Credit Bidding

Notwithstanding anything herein to the contrary, Fairfax, as lender under certain Receiver's Certificates (as defined in the Initial Order) and as secured creditor pursuant to the convertible debenture issued by the Debtor to Fairfax dated September 29, 2009 (the "**Fairfax Debenture**") shall be permitted, in a Phase II Bid and in any Overbid, in its sole discretion, to credit bid up to the full amount of all amounts advanced to the Debtor or the Receiver under the Receiver's Certificate(s) (including interest, fees and costs accrued thereunder) and/or all amounts outstanding under the Fairfax Debenture (including interest, fees and costs accrued thereunder). Any such amounts credit bid by Fairfax in a Phase II Bid or any Overbid shall be considered as cash purchase price in connection with such bid, save and except in respect of those amounts payable in priority to the amounts advanced to the Debtor or the Receiver under the Receiver's Certificate(s) and/or all amounts outstanding under the Fairfax Debenture, as the case may be.

17. Other

The Receiver may vary, amend or terminate these Bidding Procedures.