

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN THE MATTER OF THE *COMPANIES' CREDITORS*  
*ARRANGEMENT ACT*, R.S.C. 1985, c. C36, AS AMENDED**

**AND**

**IN THE MATTER OF THE *CANADA BUSINESS*  
*CORPORATIONS ACT*, R.S.C. 1985, c. C-44**

**AND**

**IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF PAKIT INC.**

**FIFTH REPORT OF ALVAREZ & MARSAL CANADA INC.  
IN ITS CAPACITY AS MONITOR OF PAKIT INC.  
DECEMBER 30, 2011**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C36, AS AMENDED**

**AND IN THE MATTER OF THE CANADA BUSINESS  
CORPORATIONS ACT, R.S.C. 1985, c. C-44**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
PAKIT INC.**

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Appendix A – #9 Yaretz Affidavit (sworn December 29, 2011)

## 1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Monitor**") was appointed as Monitor pursuant to the order pronounced by this Honourable Court on July 28, 2011 in respect of the petition filed by Pakit Inc. ("**Pakit**", the "**Company**" or the "**Petitioner**"), under the *Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36*, as amended (the "**CCAA**"). The proceedings brought by the Company under the CCAA are referred to herein as the "**CCAA Proceedings**" and the order granted by this Honourable Court on July 28, 2011, as amended, is hereinafter referred to as the "**Initial Order**". Prior to July 28, 2011, Pakit filed a Notice of Intention to make a Proposal (the "**NOI**") on July 12, 2011 which was converted into a CCAA Proceedings upon granting of the Initial Order.
- 1.2 Capitalized terms not defined in this report are used as defined in the affidavit of Mr. Dwayne Yaretz sworn July 26, 2011 (the "**Yaretz Affidavit**") filed in support of the Company's application for relief under the CCAA.
- 1.3 Pakit USA Company Inc. ("**Pakit US**") and Pakit International Trading Company Inc. ("**Pakit International**") are wholly owned subsidiaries of Pakit. Pakit International is incorporated under the laws of Barbados. Pakit International is the sole owner of Packaging International Technology Sweden AB ("**PIT**"), a company incorporated under the laws of Sweden. References herein to the "**Pakit Group**" are references to the global enterprise as a whole.
- 1.4 The Initial Order provides for, amongst other things, an initial stay of proceedings against Pakit until and including August 25, 2011, or such later date as ordered by this Honourable Court (the "**Stay Period**"). Subsequent Orders were granted that extended the Stay Period until December 30, 2011.
- 1.5 The Initial Order together with select motion materials and other documentation filed in the CCAA, the Yaretz Affidavit, the Monitor's previous reports and the notice to creditors dated August 2, 2011 as prescribed under the CCAA are posted on the Monitor's website at [www.alvarezandmarsal.com/pakit](http://www.alvarezandmarsal.com/pakit) (the "**Monitor's Website**").
- 1.6 An affidavit sworn by Mr. Yaretz, Interim President of Pakit, dated December 29, 2011 (referred to as "**#9 Yaretz Affidavit**") was filed in support of the Company's application for a "Stay Extension Order" (a copy of the #9 Yaretz Affidavit is attached as Appendix A). This report does not repeat all of the background information contained in the Yaretz Affidavit nor the #9 Yaretz Affidavit and readers of this report are encouraged to obtain

copies of these documents as well as other materials relating to the CCAA Proceedings by accessing the Monitor's Website.

## 2.0 PURPOSE OF REPORT

- 2.1 This is the Monitor's fifth report (the "**Fifth Report**") and is intended to provide this Honourable Court and the stakeholders of the Petitioners with an update on the events which have occurred since the Monitor's fourth report, dated November 30, 2011 (the "**Fourth Report**"). Specifically, the Fifth Report includes:
- a) An update on the Company's restructuring and funding activities (equity financing efforts);
  - b) An update on operational matters;
  - c) Comments on the Pakit Group's cash flow forecast and comments on variances of actual cash receipts and disbursements from forecast for the 22 weeks ended December 23, 2011;
  - d) A summary of the Pakit Group's revised cash flow forecast for the 28-week period ending February 3, 2012, including actual results for the 22 weeks ended December 23, 2011 and forecast cash flows for the 6 weeks ending February 3, 2012 (the "**Updated Feb 3 Cash Flow Forecast**"), which has replaced the previous cash flow attached to the affidavit of Mr. Yaretz, dated December 1, 2011 (the "**#8 Yaretz Affidavit**");
  - e) The Monitor's comments and views on the Company's request for an extension of the Stay Period to January 31, 2012; and
  - f) The Monitor's conclusions and recommendation to this Honourable Court.

## 3.0 TERMS OF REFERENCE

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to us, by certain senior management of Pakit ("**Senior Management**"). Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information provided by the Company. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy of any information contained in this report, or otherwise used to prepare this report.

- 3.2 Certain information referred to in this report consists of financial forecasts and/or projections. An examination or review of financial forecasts and projections and procedures, as outlined by the Canadian Institute of Chartered Accountants, has not been performed. Future oriented financial information referred to in this report was prepared based on Senior Management's estimates and assumptions. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the forecast results and the variations could be significant.
- 3.3 Unless otherwise stated, all monetary amounts contained in this report are expressed in Canadian dollars, which is the Company's common reporting currency.

#### 4.0 **RESTRUCTURING/FUNDING ACTIVITIES**

- 4.1 The Fourth Report indicated that Senior Management expected to receive a firm commitment by no later than December 30, 2011 for sufficient funding to pay out, or reach agreements to extend, the secured convertible debentures by January 31, 2012.
- 4.2 On December 29, 2011, the Company received and provided a copy of a share subscription agreement for US\$10 million from Coronado Capital Partners, LP (**"Coronado"**). The Monitor has been advised that Coronado is a member of a group from Arizona, who represents SEI Private Trust Co. FAO JM Smucker Co. Master Trust and Coronado Capital Partners, LP (the **"Coronado Group"**). The subscription agreement provides for Coronado to purchase on or before January 30, 2012 from Pakit US\$10 million of shares based on the terms and conditions of the share subscription agreement. A copy of the share subscription agreement is included as Exhibit "A" to #9 Yaretz Affidavit, attached as Appendix A.
- 4.3 The Coronado Group has funded approximately \$3.1 million (including \$100,000 approximately from Zack Easton, President of Coronado Capital Management) during the CCAA Proceedings in the form of equity funding. In addition, prior to the CCAA Proceeding the Coronado Group, including Zack Easton, has invested US\$3.5 million in Pakit of which \$2 million was funded on or about July 5, 2011.
- 4.4 The Monitor has confirmed with Senior Management that the Coronado Group has been made aware of the CCAA Proceedings and related financing efforts and understands that its equity contributions are at risk.

- 4.5 The Fourth Report indicated that on November 27, 2011, Pakit received a draft (unexecuted) letter of intent (“LOI”) for \$15 million of funding. The Company did not receive a final executed copy and the Monitor has been advised that this party is no longer in discussions with Pakit regarding a possible investment.
- 4.6 The Monitor understands that approximately \$500,000 of the senior convertible debenture holders have agreed to subordinate or subordinate and extend, subject to Court approval, their debentures to the Series V debenture holders and other debenture holders who have not agreed to the subordination terms.
- 4.7 In the event there are any material events effecting Pakit’s financing efforts that occur subsequent to the filing of this report, the Monitor will provide such updates to the Court.

## 5.0 **OTHER MATTERS RELATED TO THE OPERATIONS**

### Customers and Potential Customers with LOIs

- 5.1 Senior Management continues to inform the Monitor that the Pakit Group is making progress with respect to its one North American customer as well as other potential European and South American customers, some of which have been provided prototyping and sampling products.
- 5.2 The North American customer, who currently has a purchase order for the delivery of one Pakit100 machine, has provided two deposits totalling US\$1.1 million, of which US\$1 million was received by Pakit International during the week of December 9, 2011. The signed sales documentation provided to the Monitor on December 29, 2011 indicates that an irrevocable letter of credit (“LOC”) was to be provided on signing of the contract for payment of 50% of the purchase price based on payment of 30% on factory acceptance testing before shipment and 20% on site acceptance testing. Senior Management has indicated that they are expecting the LOC to be posted in the upcoming week. The Monitor continues to review the customer sales documentation and terms.
- 5.3 On December 22, 2011, the North American customer provided an updated letter indicating its non-binding intent to buy an additional four machines subsequent to the delivery and installation of the first machine currently on order. The Company is expecting to ship the first Pakit100 machine prior to the end of February 2012. The payment terms currently documented indicate partial payment on factory acceptance testing and final payment on site acceptance testing. Senior Management is in

discussions with this customer for the release of a \$1 million payment by January 9, 2012.

#### Employees

- 5.4 The Monitor understands that there have been no material changes or disruptions to the employment status of the other individuals within the Pakit Group since the Initial Order except as otherwise indicated in previous reports.

#### Compliance with the Initial Order

- 5.5 Based on the Monitor's review of the Company's business affairs since the date of the Initial Order including regular and on-going discussion with Senior Management and Pakit's legal counsel, it appears that the Company has been in compliance with the terms of the Initial Order.

### 6.0 **CCAA CASH FLOW FORECAST AND VARIANCE ANALYSIS**

- 6.1 Pakit prepared a cash flow forecast for the period ending February 3, 2012 including actual results for the 18 weeks ended November 25, 2011 and forecast for the ten weeks ending February 3, 2012 (the "**Feb 3 Cash Flow Forecast**") which was summarized in the Fourth Report in support of Pakit's request for an extension of the relief under the CCAA proceedings at the December 1, 2011 Court hearing.

#### Cash Flow for the 22 Weeks Ended December 23, 2011

- 6.2 The Monitor has undertaken a review of the Pakit Group's cash receipts and disbursements as part of its on-going oversight and monitoring of the Pakit business and financial affairs. The actual cash flow results as compared to the Feb 3 Cash Flow Forecast for the 22 weeks ended December 23, 2011 (the "**22 Week Period**") is summarized below:

<b>Pakit Group</b> <b>Unaudited Summary of Actual versus Forecast Cash Flows (Note 1)</b> <b>For the 22-week Period Ended December 23, 2011</b> <b>(\$000's)</b>			
	Consolidated		
	Actual	Forecast <sup>2</sup>	Variance
<b>Receipts</b>			
Customer collections	1,228	1,191	37
Funding	3,669	3,666	3
Other receipts	584	576	8
<b>Total Receipts</b>	<b>5,481</b>	<b>5,433</b>	<b>48</b>
<b>Disbursements</b>			
Raw materials and production	254	763	(508)
Payroll, benefits and payroll taxes	1,835	1,820	15
Research and development costs	37	34	3
Other general and administrative costs	380	334	46
Rent	381	384	(2)
Consulting fees	136	147	(11)
Other Professional fees	98	95	
CCAA Professional fees	536	629	(93)
Taxes (Sweden VAT)	360	363	(3)
Pre-filing liabilities - Pakit Inc.	95	95	-
Other liabilities pre July 12, 2011 (Pakit International and PIT)	1,152	1,205	(53)
CCAA contingency	10	14	(4)
<b>Total Disbursements</b>	<b>5,274</b>	<b>5,883</b>	<b>(611)</b>
<b>Net Cash Flow</b>	<b>206</b>	<b>(450)</b>	<b>659</b>
Opening Cash Position	726	726	-
<b>Closing Cash Position</b>	<b>932</b>	<b>275</b>	<b>659</b>
<b>Note 1</b>	Readers are referred to the Terms of Reference as set out previously in this report.		
<b>Note 2</b>	Forecast represents the Feb 3 Cash Flow Forecast filed as Exhibit A to the #8 Yaretz Affidavit.		

6.3 The Pakit Group has experienced a favourable net cash flow variance of \$659,000 relative to the Feb 3 Cash Flow Forecast for the 22 Week Period. The primary components of the variance are described below:

- a) *Raw materials and production costs – favourable variance of \$508,000.* The variance is due to timing differences primarily related to production costs for the completion of the Pakit100 machine to be delivered to the North American customer (timing differences of \$285,000 relates to Pakit International and \$170,000 is within PIT). These disbursements are now expected to be made during January 2012;
- b) *Other general and administrative expenses – unfavourable variance of \$46,000.* The variance is a permanent difference primarily due to outstanding financing fees of \$11,000 related to share subscription proceeds received in prior periods as well as \$27,000 of fees related to advisors engaged to assist with sourcing and assessing fund raising options;

- c) *CCAA professional fees – favourable variance of \$93,000.* The variance is primarily the result of differences with respect to timing of professional fee invoices; and
- d) *Intercompany transfers* – Pakit International transferred \$1 million on or about December 12, 2011 to Pakit Inc. as a repayment of intercompany debt. The net transfers during the 22 Week Period is \$135,000 from Patit International to Pakit Inc. The Feb 3 Cash Flow Forecast contemplated that the funding received by Pakit International of \$1 million from its North American customer would be transferred to PIT. However, Senior Management has revised its cash flows to fund requirements in PIT and Pakit International as transfers from Pakit.

Updated Feb 3 Cash Flow Forecast (28 Weeks ending February 3, 2012)

- 6.4 Senior Management has prepared an updated cash flow forecast for the 28-week period ending February 3, 2012, including actual results for the 22 weeks ended December 23, 2011 and reforecast for the 6 weeks ending February 3, 2012 (the “**Updated Feb 3 Cash Flow Forecast**”) which has replaced the Feb 3 Cash Flow Forecast summarized in the Fourth Report.
- 6.5 The Updated Feb 3 Cash Flow Forecast is attached as Appendix “A” and a summary is set out in the table below:

<b>Pakit Group</b> <b>Unaudited Summary of the Updated Feb 3 Cash Flow Forecast (Note 1)</b> <b>For the 28 Weeks Ending February 3, 2012</b> <b>(\$000's)</b>			
	Consolidated		
	22 Weeks July 23 to Dec 23 Actual	6 Weeks Dec 24 to Feb 3 Forecast	28 Weeks July 23 to Feb 3 Total
<b>Receipts</b>			
Customer collections	1,228	1,000	2,228
Equity financing	3,669	10,204	13,873
Other receipts	584	160	744
<b>Total Receipts</b>	<b>5,481</b>	<b>11,364</b>	<b>16,845</b>
<b>Disbursements</b>			
Raw materials and production	254	676	931
Payroll, benefits and payroll taxes	1,835	348	2,183
Research and development costs	37	10	47
Other general and administrative costs	380	569	949
Rent	381	69	450
Consulting fees	136	13	149
Other professional fees	98	17	115
CCAA professional fees	536	275	811
Taxes (Sweden VAT)	360	71	431
Pre-filing liabilities - Pakit Inc.	95	-	95
Other liabilities pre July 12, 2011 (Pakit International and PIT)	1,152	87	1,239
Contingency	10	20	30
<b>Total Disbursements</b>	<b>5,274</b>	<b>2,155</b>	<b>7,429</b>
<b>Net Cash Flow</b>	<b>206</b>	<b>9,209</b>	<b>9,416</b>
<b>Cash Position</b>			
Opening Cash Position	726	932	726
<b>Closing Cash Position</b>	<b>932</b>	<b>10,141</b>	<b>10,142</b>
<b>Note 1</b>	Readers are referred to the Terms of Reference as set out previously in this report for information regarding the preparation of the Updated Feb 3 Cash Flow Forecast.		

- 6.6 A summary of the Company's significant assumption which have been updated as compared to the initial Feb 3 Cash Flow Forecast and are now reflected in the Updated Feb 3 Cash Flow Forecast is as follows:
- A customer collection of \$1,000,000 is expected to be received from a North American customer by January 9, 2012 which is to be received as a draw on a LOC or as proceeds from a factoring transaction with respect to the sale of one Pakit100 machine. The previous Feb 3 Cash Flow Forecast assumed that the \$1 million would be received as an equity injection;
  - The Company has received a subscription agreement for US\$10 million (approximately \$10.2 million Canadian dollar equivalent) for the purchase of shares resulting in net proceeds of \$9,745,000 after finder's fees. The company expects to receive the proceeds

on or before January 30, 2012. These proceeds were not reflected in the previous Feb 3 Cash Flow Forecast; and

- c) Raw materials and production costs of \$676,000 primarily relates to estimated costs of work required on one existing Pakit100 machine including a pulping system of approximately \$340,000, rewiring costs of approximately \$286,000 and other production costs of \$39,000. The balance relates to on-going prototyping projects. The initial Feb 3 Cash Flow Forecast also assumed these costs would be incurred but most of which were forecast to be paid prior to December 23, 2011. Due to timing differences as noted in the budget to actual comparison section of this report, approximately \$508,000 has been deferred and is now expected to be incurred and paid in January 2012.

## **7.0 EXTENSION OF THE STAY PERIOD**

- 7.1 The Initial Order, as extended by the Court Order granted on August 31, 2011, provides for a stay of proceedings against Pakit until December 30, 2011. The Monitor understands that Pakit will be making an application to this Honourable Court for an extension of the Stay Period until January 31, 2012.
- 7.2 The Monitor has considered the following with respect to Pakit's request for an extension of the Stay Period to January 31, 2012:
  - a) the cash flow forecast of the Pakit Group up to and including February 3, 2012 and the liquidity of the Pakit Group during that period of time;
  - b) the progress made in respect of a further advance received from its North American customer of \$1 million during the week of December 9, 2011;
  - c) the receipt of the subscription agreement from Coronado for US\$10 million to be paid to Pakit on or before January 30, 2012. The Coronado Group has demonstrated its commitment to invest in Pakit as evidenced by the in excess of \$3 million provided by the Coronado Group during the CCAA Proceedings and its previous investment of US\$3.5 million prior to the CCAA Proceedings. In aggregate, the Coronado Group has an equity interest in Pakit of approximately \$6.5 million;
  - d) Pakit's disclosure of its operational and funding status efforts to its most significant secured creditor who has not raised any known objections, to the funding commitment as provided by Coronado; and

- e) whether there would be any material financial prejudice to any of Pakit's creditors, employees, customers or supplier partners as a result of an extension of the Stay Period.

## 8.0 **MONITOR'S CONCLUSIONS AND RECOMMENDATION**

### 8.1 The Monitor's conclusions are as follows:


- a) The Company is continuing to act in good faith and with due diligence in its efforts to continue on-going operations and its efforts in obtaining a funding commitment by the December 31, 2011 deadline which it had agreed to with its primary secured creditor. The Company has demonstrated its ability to obtain a US\$10 million share subscription agreement which appears to be sufficient to pay its secured debenture holders who have not agreed to subordination or subordination and postponement of the debt. The Monitor notes that the US\$10 million of proceeds are currently not held in trust and there remains a risk of non-payment. However, to date the Coronado Group has demonstrated its ability to provide funding on an equity basis to Pakit, albeit in increments of up to \$1.5 million over a six month period of time during the CCAA Proceedings; and
- b) An expected customer collection of \$1 million during the week of January 9, 2012 as reflected in the Updated Feb 3 Cash Flow Forecast is required in order for the Pakit Group to have sufficient cash to pay on-going post filing obligations and pay certain pre-existing debts of PIT and Pakit International that Senior Management considers critical beyond January 9, 2012. Absent receipt of the expected customer collection of \$1 million, the Company's ability to maintain sufficient liquidity to meet post filing obligations and pay certain deemed critical pre-filing liabilities is at risk beyond January 9, 2012.

- 8.2 The Monitor respectfully submits to this Honourable Court it would be appropriate for the relief under the Initial Order to be extended to no later than January 9, 2012 based on sufficient funding up until that date and the risk relating to uncertainty of the customer collection required to fund operations beyond January 9, 2012.

\*\*\*\*\*

All of which is respectfully submitted to this Honourable Court this 30th day of December, 2011.

**Alvarez & Marsal Canada Inc., in its capacity as  
Monitor of Pakit Inc.**

  
\_\_\_\_\_  
Per: Pam K. Boparai  
Vice President

## APPENDIX A

NO. S115028  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

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

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF PAKIT INC.

**AFFIDAVIT**

I, DWAYNE YARETZ, Businessman, of 2250 – 1050 West Pender Street, Vancouver, British Columbia, SWEAR THAT:

1. I am the President of the Petitioner, and as such I have direct knowledge of the facts and matters hereinafter deposed to, except where stated to be on information and belief, and where so stated I verily believe them to be true.
2. On December 29, 2011, Zach Easton of Coronado Capital Partners, LP, provided the Petitioner with the signed subscription agreement that is attached and marked as Exhibit A hereto (the "Agreement"). The Petitioner has signed the Agreement to indicate its acceptance of the terms thereof.
3. Attached and marked as Exhibit B hereto is a copy of the revised cash flow forecast.

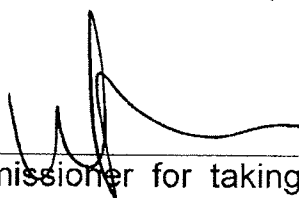
SWORN BEFORE ME at the City of  
Vancouver, in the Province of British  
Columbia, this 29<sup>th</sup> day of December, 2011.

A Commissioner for taking Affidavits in  
British Columbia

WARREN B. MILMAN  
Barrister & Solicitor  
1300 - 777 DUNSMUIR STREET  
VANCOUVER, B.C. V7Y 1K2  
(604) 643-7104

DWAYNE YARETZ

This is Exhibit "A" referred to in the Affidavit of DWAYNE YARETZ made before me on this 29<sup>th</sup> day of December, 2011.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

A Commissioner for taking Affidavits in  
British Columbia



**SUBSCRIPTION FOR COMMON SHARES  
(United States Residents)**

**TO:** **PAKIT Inc., a corporation incorporated under the *Canada Business Corporation Act* (the "Corporation")**

The undersigned (the "Subscriber") hereby irrevocably subscribes for and agrees to purchase from the Corporation, on or before January 30, 2012, Common Shares ("Shares") for an aggregate consideration of USD\$10,000,000 (the "Subscription Price"), at a subscription price of CDN\$0.60 per Share, on the terms and conditions set out in this subscription agreement (the "Subscription Agreement"). The Shares are referred to herein as the "Securities". **THE SUBSCRIBER ACKNOWLEDGES BEING ADVISED THAT THE CORPORATION IS OPERATING SUBJECT TO AN ORDER OF THE SUPREME COURT OF BRITISH COLUMBIA MADE JULY 28, 2011 UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT.**

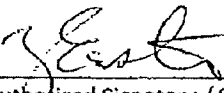
DATED this 29th day of December, 2011.

Coronado Capital Partners, LP

Attn: Todd Rowley

Name of Subscriber (please print)

Subscriber's Address, Including Zip Code

by:   
Authorized Signatory / Signature

Rodman & Renshaw

1251 Ave of the Americas, 20<sup>th</sup> Floor

New York, NY 10020

Zach Easton

480-415-0093

(Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.)

Subscriber's Telephone Number      Fax Number

zeaston@coronadocap.com

Subscriber's Email Address

President, Coronado Capital Management

Witness (If Subscriber is an individual)

Official Capacity or Title, if authorized signatory  
(please print)

Print Name of Witness

**Registration Instructions:**

**Delivery Instructions:**

Name

Name

Account reference, if applicable

Account reference, if applicable

Address

Address

Telephone Number      Fax Number

Telephone Number      Fax Number

Contact Name

Contact Name

The undersigned wishes to take title to the Securities as follows:

- ☐ Individual, as separate property  
☐ Husband and wife, as community property  
☐ Joint Tenants  
☐ Tenants in Common  
☐ Other (corporation, partnership, LLC etc):  
Please specify \_\_\_\_\_

A completed and duly executed Schedule "A" and Schedule "B" must accompany this Subscription Agreement.

- 2 -

1. **Offering and Subscription.** By executing this Subscription Agreement, the Subscriber irrevocably offers to purchase from the Corporation that number of Shares set forth on the first page hereof at the Subscription Price, subject to the terms and conditions set out herein. The Subscriber acknowledges that the offer is subject to (a) the acceptance, rejection or allotment of this subscription by the Corporation, (b) the payment of the Subscription Price by the Subscriber, (c) receipt of all necessary regulatory approvals, and (d) certain other terms and conditions as set forth herein. Upon the Corporation's acceptance or allotment and acceptance of this subscription, this Subscription Agreement will constitute an agreement for the purchase by the Subscriber from the Corporation and for the Corporation to sell to the Subscriber, the number of Shares set forth on the first page hereof at the Subscription Price on the terms and conditions set forth herein.

2. **Issuance of Shares.** Provided the subscription is accepted by the Corporation, the Corporation will thereupon issue to the Subscriber the Shares being subscribed for hereunder registered in the Subscriber's name (or in such other name or names as are set forth under "Registration Instructions" on the first page of this Subscription Agreement) and cause to be issued and delivered to the Subscriber or such other person (including the Corporation) designated by the Subscriber for delivery, in accordance with the Subscriber's "Delivery Instructions" on the first page of this Subscription Agreement, definitive certificates representing the Shares within five business days of the date (the "Acceptance Date") the Corporation accepts this Subscription.

3. **Subscriber's Representations, Warranties and Covenants.** By executing this Subscription Agreement, the Subscriber represents, warrants and covenants to and with the Corporation (and acknowledges that the Corporation is relying thereon) that:

- (a) the Subscriber is resident in a jurisdiction of the United States as set out on the first page of this Subscription Agreement as the "Subscriber's Address";
- (b) the Subscriber is:
  - (i) purchasing the Shares as principal for its own account, not for the benefit of any other person; or
  - (ii) deemed to be purchasing the Shares as principal for its own account pursuant to applicable securities laws;

and it has completed and executed, and is delivering concurrently with this Subscription Agreement, a Certificate of Accredited Investor in the form attached to this Subscription Agreement as Schedule "A" and a completed U.S. Accredited Investor form attached to this Subscription Agreement as Schedule "B" hereto;

- (c) the Subscriber has not been created solely or used solely to purchase securities without the use of a prospectus by the issuer of the securities in reliance on a prospectus exemption, including without limitation, the accredited investor exemption under applicable Canadian securities legislation, it pre-existed the offering of Shares and has a bona fide purpose other than investment in the Shares;
- (d) the Subscriber:
  - (i) understands that the Shares have not been and will not be registered under the *United States Securities Act of 1933*, as amended (the "1933 Act") or any applicable state securities laws and that the offer and sale of Shares to it is being made in reliance on a private placement exemption available under Rule 506 of Regulation D to accredited investors (as such term is defined on Schedule "B" hereto, "Accredited Investors");
  - (ii) is an Accredited Investor and is acquiring the Shares for its own account;
- (e) the Subscriber is purchasing the Shares for investment purposes only and not with a view to resale or distribution of all or any of Securities and, in particular, has no intention to distribute either directly or indirectly any of the Shares in the United States or to U.S. persons; provided, however, that the holder may sell or otherwise dispose of any of the Securities in the United States or to

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U.S. persons pursuant to registration thereof pursuant to the 1933 Act and any applicable state securities laws or under an exemption from such registration requirements;

- (f) this subscription has been duly and validly authorized, executed and delivered by, and constitutes a legal, valid, binding and enforceable obligation of, the Subscriber, except insofar as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditor rights generally and by the effect of general principles of equity (regardless of whether enforcement is considered in proceedings in equity or at law);
- (g) if the Subscriber is a corporation, the Subscriber is a valid and subsisting corporation, has the necessary corporate capacity and authority to execute and deliver this subscription and to observe and perform its covenants and obligations hereunder and has taken all necessary corporate action in respect thereof, or, if the Subscriber is a partnership, syndicate, trust, limited liability company or other form of unincorporated organization or an individual, the Subscriber has the necessary legal capacity and authority to execute and deliver this subscription and to observe and perform its covenants and obligations hereunder and has obtained all necessary approvals in respect thereof;
- (h) if the Subscriber is an individual, the Subscriber has attained the age of majority and is legally competent to execute this subscription and to take all actions required pursuant hereto;
- (i) the entering into of this Subscription Agreement and the transactions contemplated hereby will not result in a violation of any of the terms and provisions of any law applicable to the Subscriber or any of its constituting documents, or of any agreement to which it is a party or by which it is bound;
- (j) the Subscriber acknowledges that in connection with the purchase hereunder it has received no advice as to tax or legal ramifications of this Subscription Agreement from the Corporation and has been advised to seek independent advice from its legal, accounting and tax advisors prior to entering into this Subscription Agreement and that it may be subject to tax respecting the Securities in both the United States and Canada;
- (k) the Subscriber agrees that if it decides to offer, sell or otherwise transfer any of the Securities, such Securities may be offered, sold or otherwise transferred only in accordance with applicable Canadian securities laws and only (i) to the Corporation, (ii) outside the United States in accordance with Rule 904 of Regulation S under the 1933 Act; (iii) within the United States in accordance with the exemption from registration under the 1933 Act provided by Rule 144 thereunder, if applicable, and in compliance with any applicable state securities laws; or (iv) in a transaction that does not require registration under the 1933 Act or any applicable United States state laws and regulations governing the offer and sale of securities, and has therefore furnished to the Corporation an opinion of counsel of recognized standing reasonably satisfactory to the Corporation;
- (l) the Subscriber has been independently advised as to the applicable resale restrictions with respect to trading imposed in respect of the Securities, by applicable securities legislation, and confirms that no representation has been made respecting the applicable hold periods for the Securities and is aware of the risks and other characteristics of the Securities and of the fact that the Subscriber may not be able to resell the Securities except in accordance with applicable securities legislation and regulatory policy;
- (m) the Subscriber understands and acknowledges that upon the original issuance thereof, and until such time as the same is no longer required under applicable requirements of the 1933 Act or applicable state securities laws, certificates representing the Securities, and all certificates issued in exchange therefore or in substitution thereof, shall bear the following legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF THE CORPORATION THAT SUCH SECURITIES MAY BE OFFERED,

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SOLD OR OTHERWISE TRANSFERRED ONLY (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (C) WITHIN THE UNITED STATES IN ACCORDANCE WITH THE EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF APPLICABLE, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, OR (D) IN COMPLIANCE WITH CERTAIN OTHER PROCEDURES SATISFACTORY TO THE CORPORATION. IF, AT ANY TIME WHEN THE CORPORATION IS A "FOREIGN ISSUER" AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT, THESE SECURITIES ARE BEING SOLD IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, A NEW CERTIFICATE BEARING NO LEGEND MAY BE OBTAINED FROM THE CORPORATION UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE CORPORATION, TO THE EFFECT THAT SUCH SALE IS BEING MADE IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT.";

provided, that if the Securities are being sold under paragraph (k)(ii) above in compliance with applicable Canadian securities laws, and provided that the Corporation is a "foreign issuer" within the meaning of Regulation S at the time of sale, any such legend may be removed by providing a declaration to the Corporation to the effect set forth in Schedule "C" hereto (or in the form and subject to such conditions as the Corporation may prescribe from time to time); and provided, further, that, if any such securities are being sold under paragraph (k)(iii) or (k)(iv) above, the legend may be removed by delivery to the Corporation of an opinion of counsel, of recognized standing reasonably satisfactory to the Corporation, that such legend is no longer required under applicable requirements of the 1933 Act and state securities laws;

- (n) the Subscriber consents to the Corporation making a notation on its records or giving instructions to any transfer agent of the Securities in order to implement the restrictions on transfer set forth and described herein;
- (o) the Subscriber understands and acknowledges that the Corporation is not obligated to file and has no present intention of filing with the U.S. Securities and Exchange Commission or with any state securities administrator any registration statement in respect of re-sales of the Securities in the United States; and that the Corporation is not obligated to remain a "foreign issuer" within the meaning of Regulation S under the 1933 Act;
- (p) the Subscriber is an investor who, by virtue of his net worth and investment experience or by virtue of consultation with or advice from a person who is not an insider of the Corporation, but who is a registered advisor or registered dealer, is able to evaluate the merits and risks of investment in the Shares and is able to bear the economic risk of loss of such investment and can fend for itself;
- (q) the Subscriber is aware that the business of the Corporation is in a development phase, and acknowledges there is no assurance that the Corporation will be profitable in the future and that the investment is speculative;
- (r) the Subscriber acknowledges that it has had access to such additional information, if any, concerning the Corporation as it has considered necessary in connection with its investment decision to acquire the Shares and represents that it has had an opportunity to ask questions and receive answers from the Corporation regarding the terms and conditions of the offering and the business, properties, prospects and financial condition of the Corporation;
- (s) the Subscriber is familiar with the aims and objectives of the Corporation and the proposed use of the proceeds received by the Corporation from the sale of the Shares and is aware of the risk and other characteristics of his or her investment in the Shares including the risk that the Subscriber may never be able to sell the Shares and that amendments to the terms of any of the Securities to be issued pursuant to this Subscription Agreement may be required in order to comply with the

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rules, policies and regulations of any regulatory authority which has, or will have, jurisdiction over the affairs of the Corporation;

- (t) the Subscriber acknowledges that there is no public market for any of the Securities that may be issued hereunder and that no market for such Securities may ever exist;
- (u) the Subscriber has not received, nor has it requested, nor does it have any need to receive, any offering memorandum or any other document describing the business and affairs of the Corporation that constitutes an offering memorandum as such term is defined in the securities laws of the province of Ontario or Alberta, Canada nor has any such document been prepared for delivery to, or review by, prospective purchasers in order to assist them in making an investment decision in respect of the Shares;
- (v) the Subscriber has relied solely upon documents concerning and issued by the Corporation and not upon any verbal or other written representation as to fact or otherwise made by or on behalf of the Corporation or any employees, agents or affiliates thereof;
- (w) the Subscriber acknowledges that the offering and sale of the Shares to the Subscriber was not made as a result of any general solicitation or general advertising (as those terms are used in Regulation D under the 1933 Act) or solicited through advertisements, articles, notices or other communications published in any printed media of general and regular paid circulation, including newspapers, magazines, or similar media or broadcast over radio, television or telecommunications, including electronic display (such as the Internet), or any seminar or meeting whose attendees have been invited by general solicitation or general advertising or any other form of advertisement or general solicitation and, except for this Subscription Agreement, no other documents were delivered or otherwise furnished to the Subscriber;
- (x) the decision to tender this offer and purchase the Shares has not been made as a result of any verbal or written representation as to fact or otherwise, and no verbal or written representations has been made:
  - (i) that any person will resell or repurchase the Shares or refund all or any of the purchase price of the Shares other than in accordance with their terms;
  - (ii) that the Securities will be listed and posted for trading on a stock exchange or that application has been made for such a listing;
  - (iii) that the Corporation will ever become a reporting issuer or equivalent under applicable Canadian securities laws; or
  - (iv) as to the future price or value of the Securities made by or on behalf of the Corporation or any other person,
- (y) the Subscriber acknowledges that because this subscription is being made pursuant to registration and prospectus exemptions available under applicable securities laws:
  - (i) it is restricted from using certain of the civil remedies available under the applicable securities laws;
  - (ii) it may not receive information that might otherwise be required to be provided to it under the applicable securities laws if the exemptions were not being used; and
  - (iii) the Corporation is relieved from certain obligations that would otherwise apply under the applicable securities laws if the exemptions were not being used;
- (z) the Subscriber,

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- (i) acknowledges that the Shares purchased hereunder are subject to resale restrictions imposed under applicable securities laws and the rules of regulatory bodies having jurisdiction;
  - (ii) acknowledges that a legend will be placed on the certificates representing the Shares to the effect that the securities represented by the certificates are subject to a hold period that may be indefinite and may not be traded until the expiry of such hold period except as permitted by applicable securities legislation;
  - (iii) acknowledges that it has been advised by the Corporation that it should consult its own legal adviser before disposing of all or any part of any Securities that may be issued to the Subscriber pursuant to this Subscription Agreement to avoid breach of relevant securities legislation; and
  - (iv) agrees not to resell the Securities, except in accordance with the provisions of applicable securities legislation;
- (aa) the Subscriber acknowledges that:
- (i) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Securities;
  - (ii) there is no government or other insurance covering the Securities;
  - (iii) there are risks associated with the purchase of the Securities;
  - (iv) there are restrictions on its ability to resell the Securities and it is its responsibility to find out what those restrictions are and to comply with them before selling the Securities; and
  - (v) it has been advised by the Corporation that the Corporation is relying on an exemption from the requirements to provide it with a prospectus and to sell securities through a person registered to sell securities under applicable securities legislation (including securities legislation of British Columbia, Canada) and, as a consequence of acquiring the Shares pursuant to this exemption, certain protections, rights and remedies provided by applicable securities legislation (including securities legislation of British Columbia, Canada), including statutory rights of rescission or damages, will not be available to it; and
- (bb) the Subscriber will execute, deliver, file and otherwise assist the Corporation in filing, such reports, questionnaires, undertakings and other documents required by applicable securities legislation, policy or order or by any securities commission or other regulatory authority with respect to the issue of the Securities.

The Subscriber agrees that the above representations, warranties and covenants will be true and correct both as of the execution of this subscription and as of the Acceptance Date and will survive the purchase of the Shares hereunder and shall continue in full force and effect notwithstanding any subsequent disposition of the Securities.

4. **Acknowledgements.** The foregoing representations, warranties and covenants (including those made in the Schedule attached hereto) are made by the Subscriber with the intent that they be relied upon by the Corporation in determining the eligibility of the Subscriber as a purchaser of Shares and the Subscriber and others for whom the Subscriber is contracting hereunder hereby agrees to indemnify the Corporation against all losses, claims, costs, expenses and damages or liabilities which any of them may suffer or incur, caused or arising from reliance thereon. The Subscriber undertakes to notify the Corporation immediately of any change in any representation, warranty or other information relating to the Subscriber which takes place prior to the acceptance of this Subscription Agreement on the Acceptance Date.

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5. **Delivery of Subscription Agreement and Payment.** The Subscriber agrees to deliver to the Corporation as soon as possible:

- (a) this completed and duly executed Subscription Agreement;
- (b) a completed and duly executed copy of a Certificate of Accredited Investor, which is attached hereto as Schedule "A", and a completed and duly executed copy of the US Accredited Investor form, which is attached hereto as Schedule "B";
- (c) a certified cheque or bank draft made payable to the Corporation, or such other method of payment acceptable to the Corporation, representing the Subscription Price payable by the Subscriber for the Shares; and
- (d) such other documents as may be required as contemplated herein or required under applicable securities legislation.

The Subscriber acknowledges and agrees that such other documents, when executed and delivered by the Subscriber will form part of and will be incorporated into this Subscription Agreement with the same effect as if each constituted a representation and warranty or covenant of the Subscriber hereunder in favour of the Corporation and agrees that such representations, warranties and covenants will be true and correct both as of the execution of this subscription and as of the Acceptance Date and will survive the purchase of the Shares hereunder and shall continue in full force and effect notwithstanding any subsequent disposition of the Securities. The Subscriber consents to the filing of any such documents as may be required to be filed with any securities regulatory authority in connection with the transactions contemplated hereby.

6. **Authority of Corporation.** The Corporation is hereby irrevocably authorized by the Subscriber to, in the Corporation's sole discretion, correct manifest errors in the information provided by the Subscriber in this Subscription Agreement and accompanying documents.

7. **Acceptance of Subscription.** This subscription may be accepted in whole or in part by the Corporation and the right is reserved to the Corporation to allot to any Subscriber less than the amount of Shares subscribed for. The sale and delivery of the Shares to the Subscriber are conditional upon such sale being exempt from the requirement to file a prospectus under any applicable securities laws relating to the sale of the Shares. The Corporation will accept or reject this Subscription Agreement within five business days of receipt of a completed subscription, including this Subscription Agreement and any documents required under Section 5 hereof, and the aggregate Subscription Price. Confirmation of acceptance or rejection of this subscription will be provided to the Subscriber promptly after the acceptance or rejection of the subscription. In the event that this subscription is not accepted by the Corporation, this Subscription Agreement, and any other documents and funds delivered to the Corporation will be returned to the Subscriber.

8. **Costs.** All costs and expenses incurred by the Subscriber (including any fees and disbursements of any special counsel obtained by it) relating to the sale of the Shares hereunder shall be borne by the Subscriber.

9. **Confidentiality and Privacy.** By accepting the Subscription Agreement, the Corporation agrees that it will not collect any information about the Subscriber except that which is provided by the Subscriber in the Subscription Agreement (the "Subscriber Information"). The Corporation also agrees that it will keep all Subscriber Information confidential, and will use and disclose the Subscriber Information only for the purposes described below, unless

- (a) the Corporation informs the Subscriber of a proposed use or disclosure of the Subscriber Information, and the Subscriber consents; or
- (b) the use or disclosure is permitted by law to be made without the consent of the Subscriber, or is required by law, or by the by-laws, rules, regulations or policies or any regulatory organization governing the Corporation.

By signing the Subscription Agreement, the Subscriber agrees that the Corporation may collect and use the Subscriber Information for the following purposes:

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- (a) to provide the Subscriber with ongoing information about the Corporation; and
- (b) to otherwise administer the Subscriber's investment in the Corporation in accordance with the terms of this Subscription Agreement.

10. **Execution of Subscription Agreement.** The Corporation shall be entitled to rely on delivery by facsimile machine of an executed copy of this subscription, and acceptance by the Corporation of such facsimile copy shall be equally effective to create a valid and binding agreement between the Subscriber and the Corporation in accordance with the terms hereof.

11. **Anti-Dilution.** If, at any time before May 31, 2013, Pakit issues common shares (or securities of Pakit convertible into common shares) at a price less than \$0.60 per common share (each a "Dilutive Issuance") the Investor shall have the right to receive additional common shares of Pakit for no consideration. The number of common shares issued to the Investor for no consideration shall be determined by the following formula:

$$(A \times B/C) - A = X$$

A = the number of common shares owned by the Investor before the Dilutive Issuance

B = \$0.60 (the issue price paid by the Investor)

C = the price per share paid in the Dilutive Issuance

X = the number of common shares to be issued to the Investor for no consideration

The additional common shares shall be issued to the Investor concurrently with the Dilutive Issuance.

The foregoing anti-dilution right of the Investor shall not apply in the event of an issuance of common shares or securities convertible into common shares to: (i) employees, officers, directors, consultants, contractors or advisors of Pakit pursuant to stock purchase or stock option plans or agreements or other incentive stock arrangements approved by the Board, (ii) lenders, equipment lessors, or other parties providing goods or services to Pakit, (iii) pursuant to stock splits, stock dividends, or similar transactions, (iv) sellers in connection with acquisition transactions, (v) the holders of debentures on conversion of the debentures, (vi) other parties in connection with strategic partnership transactions.

The foregoing anti-dilution right of the Investor shall expire and be of no further force or effect upon the public filing of Pakit's shares on any recognized stock exchange.

12. **Counterparts.** This Subscription Agreement may be executed in any number of counterparts, each of which when delivered, either in original or facsimile form, shall be deemed to be an original and all of which together shall constitute one and the same document.

13. **Governing Law.** The contract arising out of this Subscription Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein without regard to principles of conflicts of law. The Subscriber irrevocably attorns to the jurisdiction of the courts in the Province of British Columbia, with respect to matters arising out of this Subscription Agreement.

14. **Successors and Assigns.** The terms and conditions of this Subscription Agreement shall be binding upon and ensure to the benefit of the Subscriber and the Corporation and their respective successors and assigns. Except as otherwise provided in this Subscription Agreement, this Subscription Agreement shall not be assignable or transferable by any party without the written consent of the other party hereto.

15. **Entire Agreement and Headings.** This Subscription Agreement (including the schedule hereto) contains the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein. This Subscription Agreement may be amended or modified in any respect by written instrument only executed by all the parties herein. The headings contained herein are for convenience only and shall not affect the meanings or interpretation hereof.

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16. **Survival.** This Subscription Agreement, including without limitation the representations, warranties and covenants contained herein, shall survive and continue in full force and effect and be binding upon the Subscriber notwithstanding the completion of the purchase of the Shares by the Subscriber pursuant hereto, the completion of the Offering of Shares of the Corporation and any subsequent disposition by the Subscriber of the Shares or any of the Securities.
17. **Currency.** All dollar amounts referred to herein are in Canadian dollars, unless otherwise stated.
18. **Statutory References.** Any reference to a statute or enactment herein is a reference to a statute or enactment as amended.
19. **Time of Essence.** Time shall be of the essence in this Subscription Agreement.
20. **Notices.** Any notice or other communication to be given hereunder shall, in the case of notice to be given to the Corporation, be addressed to:

PAKIT Inc.  
2250 -1050 West Pender St.  
Vancouver, B.C. V6E 3S7

**Attention:** Brian Birmingham (Brian.Birmingham@pakitinc.com)

Facsimile No.: 604 683 3204

Any such notice or other communication shall be in writing and may be given by facsimile or delivery, and shall be deemed to have been given 12 hours after being faxed or upon receipt by a responsible officer of the addressee if delivered.

21. **Effective Date.** This Subscription Agreement is intended to and shall take effect on the date the Subscription Agreement was accepted by the Corporation below, notwithstanding the actual date of execution or delivery by the Subscriber.

#### ACCEPTANCE

The foregoing is acknowledged, accepted and agreed to in Vancouver, British Columbia, this 29<sup>th</sup> day of December, 2011.

*[Signature]*

PAKIT INC.

Per: *[Signature]*

Authorized Signatory

**SCHEDULE "A"**  
**TO THE U.S. SUBSCRIPTION AGREEMENT**

**CERTIFICATE OF ACCREDITED INVESTOR**

**TO:           PAKIT INC.**

In connection with the proposed purchase of securities (the "Shares") of PAKIT Inc. (the "Corporation"), the undersigned represents and warrants that the undersigned has read the following definitions of an "accredited investor" as defined in National Instrument 45-106 and certifies that the undersigned is purchasing the Shares as principal for its own account and not for the benefit of another, or is deemed to be purchasing the Shares as principal for its own account pursuant to applicable securities laws, and is an accredited investor as indicated below [check one or more]:

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|--|--|
| <input type="checkbox"/> (a) a Canadian financial institution, or a Schedule III Bank;   | <input type="checkbox"/> (l) An individual who, either alone or with a spouse, has net assets of at least Cdn\$5,000,000;  |
| <input type="checkbox"/> (b) the Business Development Bank of Canada incorporated under the <i>Business Development Bank of Canada Act</i> (Canada);   | <input type="checkbox"/> (m) a person, other than an individual or investment fund, that has net assets of at least Cdn\$5,000,000 as shown on its most recently prepared financial statements;  |
| <input type="checkbox"/> (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;   | <input type="checkbox"/> (n) an investment fund that distributes or has distributed its securities only to (i) a person that is or was an accredited investor at the time of the distribution, (ii) a person that acquires or acquired securities pursuant to the Minimum Amount Investment exemption and the Additional Investment in Investment Funds exemption, or (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities pursuant to the Investment Fund Reinvestment exemption; |
| <input type="checkbox"/> (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the <i>Securities Act</i> (Ontario) or the <i>Securities Act</i> (Newfoundland and Labrador); | <input type="checkbox"/> (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;  |
| <input type="checkbox"/> (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);  | <input type="checkbox"/> (p) a trust company or trust corporation registered or authorized to carry on business under the <i>Trust and Loan Companies Act</i> (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;   |

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|---|--|
| <p><input type="checkbox"/> (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;</p>  | <p><input type="checkbox"/> (q) a person acting on behalf of a fully managed account managed by that person, if that person (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and (ii) in Ontario, is purchasing a security that is not a security of an investment fund;</p> |
| <p><input type="checkbox"/> (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;</p>  | <p><input type="checkbox"/> (r) a registered charity under the <i>Income Tax Act</i> (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;</p>   |
| <p><input type="checkbox"/> (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;</p>  | <p><input type="checkbox"/> (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) and paragraph (i) in form and function;</p>  |
| <p><input type="checkbox"/> (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;</p>   | <p><input type="checkbox"/> (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons or companies that are accredited investors;</p>  |
| <p><input type="checkbox"/> (j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds Cdn\$1,000,000;</p>   | <p><input checked="" type="checkbox"/> (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or</p>  |
| <p><input type="checkbox"/> (k) an individual whose net income before taxes exceeded Cdn\$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded Cdn\$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;</p> | <p><input type="checkbox"/> (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as (i) an accredited investor, or (ii) an exempt purchaser in Alberta or British Columbia.</p>  |

For the purposes of this certificate:

- (a) A trust company or trust corporation described in paragraph (p) above, other than a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada, is deemed to be purchasing as principal; and

- (b) A person described in paragraph (q) above is deemed to be purchasing as principal.

For the purposes of this certificate, the following definitions apply:

"Additional Investment in Investment Funds exemption" refers to the following exemption:

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- (a) The dealer registration requirement does not apply in respect of a trade by an investment fund in a security of its own issue to a security holder of the issuer if
  - (i) the security holder initially acquired securities of the investment fund as principal for an acquisition cost of not less than Cdn\$150,000 paid in cash at the time of the trade,
  - (ii) the subsequent trade is for a security of the same class or series as the initial trade, and
  - (iii) the security holder, as at the date of the subsequent trade, holds securities of the investment fund that have an acquisition cost of not less than Cdn\$150,000, or a net asset value of not less than \$150 000.
- (b) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (a);

**"Canadian financial institution" means**

- (a) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central credit society for which an order has been made under section 473(1) of that Act, or
- (b) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada);

**"control person"** has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Quebec where control person means any person that holds or is one of a combination of persons that holds

- (a) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or
- (b) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

**"director" means**

- (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and
- (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

**"eligibility adviser" means**

- (a) a person that is registered as an investment dealer or in an equivalent category of registration under the securities legislation of the jurisdiction of a purchaser and authorized to give advice with respect to the type of security being distributed, and
- (b) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not

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- (i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons, and
- (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons within the previous 12 months;

**“executive officer”** means, for an issuer, an individual who is

- (a) a chair, vice-chair or president,
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production,
- (c) an officer of the issuer or any of its subsidiaries and who performs a policy-making function in respect of the issuer, or
- (d) performing a policy-making function in respect of the issuer;

**“financial assets”** means cash, securities or a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

**“foreign jurisdiction”** means a country other than Canada or a political subdivision of a country other than Canada;

**“founder”** means, in respect of an issuer, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) at the time of the trade is actively involved in the business of the issuer;

**“fully managed account”** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client’s express consent to a transaction;

**“investment fund”** means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an

- (a) an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act*, R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments, and
- (b) a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act*, R.S.B.C. 1996 c. 429, whose business objective is making multiple investments;

**“Investment Fund Reinvestment exemption”** refers to the following exemption:

- (a) Subject to subsections (c), (d) and (e) of this definition, the dealer registration requirement does not apply in respect of the following trades by an investment fund to a security holder of the investment fund if the trades are permitted by a plan of the investment fund:
  - (i) a trade in a security of the investment fund’s own issue if dividends or distributions out of earnings, surplus, capital or other sources payable in respect of (ii) the investments fund’s securities are applied to the purchase of the security that is of the same class or series as

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the securities to which the dividends or distributions out of earnings, surplus, capital or other sources are attributable, and

- (ii) subject to subsection (b), a trade in a security of the investment fund's own issue if the security holder makes optional cash payments to purchase the security of the investment fund that is of the same class or series of securities described in paragraph (i) that trade on a marketplace.
- (b) The aggregate number of securities issued under the optional cash payment referred to in subsection (a) (ii) must not exceed, in any financial year of the investment fund during which the trade takes place, 2% of the issued and outstanding securities of the class to which the plan relates as at the beginning of the financial year.
- (c) A plan that permits the trades described in subsection (a) must be available to every security holder in Canada to which the dividend or distribution is available.
- (d) No sales charge is payable on a trade described in subsection (a).
- (e) The most recent prospectus of the investment fund, if any, must set out (i) details of any deferred or contingent sales charge or redemption fee that is payable at the time of the redemption of the security, (ii) any right that the security holder has to make an election to receive cash instead of securities on the payment of a dividend or making of a distribution by the investment fund, and (iii) instructions on how the right referred to in paragraph (ii) can be exercised.
- (f) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (a);

"jurisdiction" or "jurisdiction of Canada" means a province or territory of Canada except when used in the term foreign jurisdiction;

"local jurisdiction" means, in a national instrument or multilateral instrument adopted or made by a Canadian securities regulatory authority, the jurisdiction in which the Canadian securities regulatory authority is situate;

"Minimum Amount Investment exemption" refers to the following exemption:

- (a) The dealer registration requirement does not apply in respect of a trade in a security to a person if
  - (i) that person purchases as principal;
  - (ii) the security has an acquisition cost to the purchaser of not less than Cdn\$150,000 paid in cash at the time of the trade; and
  - (iii) the trade is in a security of a single issuer.
- (b) The prospectus requirement does not apply to a distribution of a security in the circumstances referred to in subsection (a).
- (c) This exemption does not apply to a trade in a security to a person if that person is created or used solely to purchase or hold securities in reliance on this exemption from the dealer registration requirement or the prospectus requirement;

"mutual fund" includes an issuer of a security that entitles the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets, including a separate fund or trust account, of the issuer of the security;

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**“non-redeemable investment fund”** means an issuer

- (a) whose primary purpose is to invest money provided by its security holders,
- (b) that does not invest,
  - (i) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund, or
  - (ii) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund, and
- (c) that is not a mutual fund;

**“person”** includes

- (a) an individual,
- (b) a corporation,
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (d) an individual or other person in that person’s capacity as a trustee, executor, administrator or personal or other legal representative;

**“regulator”** means, for the local jurisdiction, the person referred to in Appendix D of National Instrument 14-101, opposite the name of the local jurisdiction;

**“related liabilities”** means

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (b) liabilities that are secured by financial assets;

**“Schedule III bank”** means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada); and

**“securities legislation”** means the applicable securities legislation of a jurisdiction of Canada.

**“spouse”** means, an individual who,

- (a) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
- (b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
- (c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

**“subsidiary”** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

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For the purpose hereof, an issuer is an **affiliate** of another issuer if

- (a) one of them is the subsidiary of the other, or
- (b) each of them is controlled by the same person.

For the purpose hereof, a person (first person) is considered to control another person (second person) if

- (a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,
- (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or
- (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

For the purpose hereof, for residents of Manitoba and Yukon, “**distribution**” means a primary distribution to the public.

For the purpose hereof, for residents of Québec, “**trade**” includes any of the following activities:

- (a) any of the activities referred to in the definition of “dealer” in section 5 of the *Securities Act* (Québec);
- (b) the sale or disposition of a security for valuable consideration, whether the terms of payment are on margin, installment or otherwise, but does not include,
  - (i) except as provided in paragraph (c), a transfer, pledge or encumbrance of securities for the purpose of giving collateral for a debt made in good faith, or
  - (ii) the purchase of a security;
- (c) participation as a trader in any transaction in a security through the facilities of an exchange or a quotation and trade reporting system;
- (d) receipt by a registrant of an order to buy or sell a security;
- (e) a transfer, pledge or encumbrancing of securities of an issuer from the holdings of a control person for the purpose of giving collateral for a debt made in good faith;
- (f) entering into a derivative;
- (g) any activity, advertisement, solicitation, conduct or negotiation directly or indirectly in furtherance of any of the activities referred to in paragraphs (a) to (f).

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The foregoing representation and warranty is true and accurate as of the date of this certificate and will be true and accurate as of the Acceptance Date of the attached Subscription Agreement. If any such representation or warranty shall not be true and accurate prior to the acceptance on the Acceptance Date, the undersigned shall give immediate written notice of such fact to the Corporation.

Dated: 12-29-11Signed: 

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Witness (If Subscriber is an Individual)

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Print Name of Subscriber  
Coronado Capital Partners, LP

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Print Name of Witness

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If Subscriber is a Corporation,  
Print Name and Title of  
Authorized Signing Officer

**SCHEDULE "B"**  
**TO U.S. SUBSCRIPTION AGREEMENT**  
**US ACCREDITED INVESTOR FORM**

"Accredited Investor" means any entity which comes within any of the following categories. The Subscriber must place their initials next to the category or categories that apply:

- ☐ A bank, as defined in Section 3(a)(2) of the 1933 Act, whether acting in its individual or fiduciary capacity; or
- ☐ A savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act, whether acting in its individual or fiduciary capacity; or
- ☐ A broker or dealer registered pursuant to Section 15 of the *United States Securities Exchange Act of 1934*; or
- ☐ An insurance company as defined in Section 2(13) of the 1933 Act; or
- ☒ An investment company registered under the *United States Investment Company Act of 1940*; or
- ☐ A business development company as defined in Section 2(a)(48) of the *United States Investment Company Act of 1940*; or
- ☐ A small business investment company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the *United States Small Business Investment Act of 1958*; or
- ☐ A plan established and maintained by a state, its political subdivisions or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, with total assets in excess of U.S. \$5,000,000; or
- ☐ An employee benefit plan within the meaning of the *United States Employee Retirement Income Security Act of 1974* in which the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan with total assets in excess of U.S. \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are accredited investors; or
- ☐ A private business development company as defined in Section 202(a)(22) of the *United States Investment Advisers Act of 1940*; or
- ☐ An organization described in Section 501(c)(3) of the *United States Internal Revenue Code*, a corporation, a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of U.S. \$5,000,000; or
- ☐ Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer; or
- ☐ A natural person whose individual net worth, or joint net worth with that person's spouse, at the time of purchase exceeds U.S. \$1,000,000; or
- ☐ A natural person who had an individual income in excess of U.S. \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of U.S. \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year; or
- ☐ A trust, with total assets in excess of U.S. \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) under the 1933 Act; or
- ☐ Any entity in which all of the equity owners meet the requirements of at least one of the above categories.

**SCHEDULE "C"**  
**TO U.S. SUBSCRIPTION AGREEMENT**

**FORM OF DECLARATION FOR REMOVAL OF LEGEND**

**TO:   PAKIT INC.**

The undersigned (a) acknowledges that the sale of the securities of PAKIT Inc. (the "Corporation") to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the *United States Securities Act of 1933*, as amended (the "1933 Act") and (b) certifies that (1) the undersigned is not an affiliate of the Corporation (as that term is defined in Rule 405 under the 1933 Act), (2) the offer of such securities was not made to a person in the United States or in Canada and either (A) at the time the buy order was originated, the buyer was outside the United States and Canada, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States and Canada, or (B) the transaction was executed in, on or through the facilities of a "Designated Offshore Securities Market" as defined in Rule 902 of Regulation S under the 1933 Act and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States or Canada, (3) neither the seller nor any affiliate of the seller nor any person acting on any of their behalf has engaged or will engage in any directed selling efforts in the United States or Canada in connection with the offer and sale of such securities, (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as such term is defined in Rule 144(a)(3) under the 1933 Act), (5) the seller does not intend to replace such securities with fungible unrestricted securities of the Corporation and (6) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the 1933 Act. Terms used herein have the meanings given to them by Regulation S.

Dated: \_\_\_\_\_

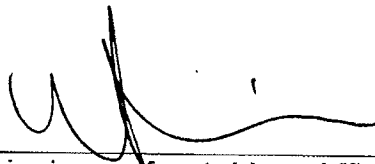
\_\_\_\_\_  
Name of Seller

By: \_\_\_\_\_

Name

Title:

This is Exhibit "B" referred to in the Affidavit of DWAYNE YARETZ made before me on this 29<sup>th</sup> day of December, 2011.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, positioned above a horizontal line.

A Commissioner for taking Affidavits in  
British Columbia

**Pakit Inc.**  
**CONSOLIDATED Weekly Cash Flow Forecast (Note 1)**  
**For the 28-week period ending February 3, 2012**  
**(\$000's)**

	Week 1 to Week 22 Actual Total	December Week 23 Forecast 30-Dec	Week 24 Forecast 6-Jan	January Week 25 Forecast 13-Jan	Week 26 Forecast 20-Jan	Week 27 Forecast 27-Jan	February Week 28 Forecast 3-Feb	Week 23 to Week 28 Forecast Total	Week 1 to Week 28 Total	Notes
<b>Receipts</b>										
Customer collections	1,228	-	-	1,000	-	-	-	1,000	2,228	2
Funding	3,669	-	-	-	-	-	10,204	10,204	13,873	3
Other receipts	584	75	-	-	10	-	75	160	744	4
<b>Total Receipts</b>	5,481	75	-	1,000	10	-	10,279	11,364	16,845	
<b>Disbursements</b>										
Raw materials and production	254	-	351	-	143	176	6	676	931	5
Payroll, benefits and payroll taxes	1,835	29	-	152	101	66	-	348	2,183	6
Sales and marketing costs	-	-	-	-	-	-	-	-	-	
Research and development costs	37	-	10	-	-	-	-	10	47	
Other general and administrative costs	380	-	40	58	12	-	459	569	949	6
Rent	381	-	69	-	-	-	-	69	450	6
Consulting fees	136	-	13	-	-	-	-	13	149	
Other Professional fees	98	-	-	17	-	-	-	17	115	
CCAA Professional fees	536	50	60	35	40	30	60	275	811	7
Taxes (Sweden VAT)	360	-	-	71	-	-	-	71	431	
Pre-filing liabilities - Pakit Inc.	95	-	-	-	-	-	-	-	95	
Other liabilities pre July 12, 2011 (Pakit International and PIT)	1,152	-	79	6	2	-	-	87	1,239	8
Contingency	10	-	-	-	20	-	-	20	30	
<b>Total Disbursements</b>	5,274	79	622	339	317	272	525	2,155	7,429	
<b>Net Cash Flow</b>	206	(4)	(622)	661	(307)	(272)	9,754	9,209	9,416	
<b>Intercompany inflow/(outflow)</b>										
Pakit Inc.	135	-	(366)	-	-	-	-	(366)	(231)	
Pakit International	(925)	-	99	(160)	(254)	(6)	(6)	(327)	(1,253)	
PIT	790	-	267	160	254	6	6	694	1,483	
<b>Total Intercompany</b>	-	-	-	-	-	-	-	-	-	
<b>Net Cash Flow Post Intercompany</b>	206	(4)	(622)	661	(307)	(272)	9,754	9,209	9,416	
<b>Cash Position</b>										
Opening Cash Position	726	932	928	306	967	660	388	932	726	
<b>Closing Cash Position</b>	932	928	306	967	660	388	10,141	10,141	10,141	

**Notes:**

1. The purpose of these cash flow forecasts is to set out the liquidity requirements of the Pakit companies during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
2. Customer collections primarily relate to one customer based in North America. Management has assumed receipt of \$1,000,000 in Week 25 which is to be received as a draw on a letter of credit or as proceeds from a factoring transaction with respect to the sale of one machine. An initial deposit of \$99,000 was received in Week 6 as well as a further \$1,000,000 milestone payment in Week 20.
3. The Company has a subscription agreement from an existing shareholder for a US\$10,000,000 equity investment which Pakit expects will be received on or before January 31, 2012.
4. Other receipts for Weeks 23 to 28 include \$150,000 of VAT refunds and \$10,000 of HST refunds.
5. Raw materials and production costs have been forecast based on estimated costs to complete a Pakit machine as well as prototyping projects in progress.
6. Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses and adjusted for certain measures to reduce disbursements to a minimum during the restructuring period. Other general and administrative costs include travel, insurance, and office costs as well as fund raising commissions assumed to be 5% of funding proceeds.
7. Professional fee disbursements have been forecast based on projected costs by professional services firms relating to the restructuring.
8. Other liabilities relate to amounts owed by Pakit International and Packaging International Technology Sweden AB ("PIT") prior to the Pakit Inc. filing date and are assumed to be paid in order to support the ongoing operations of these entities and related receipts. These payments are forecast to include \$51,000 of payments to the PIT landlord and \$36,000 of other pre-filing related payments for the period from Week 23 to Week 28.

**Pakit Inc.**  
**Non-Consolidated Weekly Cash Flow Forecast (Note 1)**  
**For the 28-week period ending February 3, 2012**  
**(\$000's)**

	Week 1 to Week 22 Actual Total	December Week 23 Forecast 30-Dec	January Week 24 Forecast 6-Jan	Week 25 Forecast 13-Jan	Week 26 Forecast 20-Jan	Week 27 Forecast 27-Jan	February Week 28 Forecast 3-Feb	Week 23 to Week 28 Forecast Total	Week 1 to Week 28 Total	Notes
<b>Receipts</b>										
Customer collections	91	-	-	-	-	-	-	-	91	
Funding - Equity	3,211	-	-	-	-	-	10,204	10,204	13,415	2
Other receipts	156	-	-	-	10	-	-	10	166	
<b>Total Receipts</b>	<b>3,458</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>10,204</b>	<b>10,214</b>	<b>13,672</b>	
<b>Disbursements</b>										
Raw materials and production	-	-	-	-	-	-	-	-	-	
Payroll, benefits and payroll taxes	639	29	-	48	-	56	-	133	772	3
Research and development costs	-	-	-	-	-	-	-	-	-	
Other general and administrative costs	255	-	21	58	-	-	459	538	794	3
Rent	89	-	18	-	-	-	-	18	107	3
Consulting fees	106	-	5	-	-	-	-	5	111	
Other Professional fees	15	-	-	5	-	-	-	5	20	
CCAA Professional fees	536	50	60	35	40	30	60	275	811	4
Pre-filing liabilities	95	-	-	-	-	-	-	-	95	
Contingency	(18)	-	-	-	20	-	-	20	2	
<b>Total Disbursements</b>	<b>1,716</b>	<b>79</b>	<b>104</b>	<b>146</b>	<b>60</b>	<b>86</b>	<b>519</b>	<b>994</b>	<b>2,711</b>	
<b>Net Cash Flow</b>	<b>1,742</b>	<b>(79)</b>	<b>(104)</b>	<b>(146)</b>	<b>(50)</b>	<b>(86)</b>	<b>9,685</b>	<b>9,220</b>	<b>10,962</b>	
<b>Intercompany</b>										
Inflow/(outflow) - PIT	(1,741)	-	-	-	-	-	-	-	(1,741)	
Inflow/(outflow) - International	135	-	(366)	-	-	-	-	(366)	(231)	
<b>Net Cash Flow Post Intercompany</b>	<b>136</b>	<b>(79)</b>	<b>(470)</b>	<b>(146)</b>	<b>(50)</b>	<b>(86)</b>	<b>9,685</b>	<b>8,853</b>	<b>8,989</b>	
<b>Cash Position</b>										
Opening Cash Position	720	856	777	306	160	110	24	856	720	
<b>Closing Cash Position</b>	<b>856</b>	<b>777</b>	<b>306</b>	<b>160</b>	<b>110</b>	<b>24</b>	<b>9,709</b>	<b>9,709</b>	<b>9,709</b>	

**Notes:**

1. The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
2. The Company has a subscription agreement from an existing shareholder for a US\$10,000,000 equity investment which Pakit expects will be received on or before January 31, 2012.
3. Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses and adjusted for certain measures to reduce disbursements to a minimum during the restructuring period. Other general and administrative costs include travel, insurance, and office costs as well as fund raising commissions assumed to be 5% of funding proceeds.
4. Professional fee disbursements have been forecast based on projected costs by professional services firms relating to the restructuring.

**Pakit International Trading Company Inc.**  
**Non-Consolidated Weekly Cash Flow Forecast (Note 1)**  
**For the 28-week period ending February 3, 2012**  
**(\$000's)**

	Week 1 to Week 22 Actual Total	December Week 23 Forecast 30-Dec	Week 24 Forecast 6-Jan	Week 25 Forecast 13-Jan	Week 26 Forecast 20-Jan	Week 27 Forecast 27-Jan	February Week 28 Forecast 3-Feb	Week 23 to Week 28 Forecast Total	Week 1 to Week 28 Total	Notes
<b>Receipts</b>										
Customer collections	1,137	-	-	1,000	-	-	-	1,000	2,137	2
Funding	-	-	-	-	-	-	-	-	-	
Other receipts	424	75	-	-	-	-	75	150	574	3
<b>Total Receipts</b>	1,561	75	-	1,000	-	-	75	1,150	2,711	
<b>Disbursements</b>										
Raw materials and production	107	-	170	-	-	170	-	340	447	4
Payroll, benefits and payroll taxes	146	-	-	15	-	10	-	25	171	
Sales and marketing costs	-	-	-	-	-	-	-	-	-	
Research and development costs	3	-	-	-	-	-	-	-	3	
Other general and administrative costs	23	-	-	-	1	-	-	1	24	
Rent	13	-	-	-	-	-	-	-	13	
Consulting fees	6	-	1	-	-	-	-	1	7	
Other Professional fees	83	-	-	12	-	-	-	12	95	
CCAA Professional fees	-	-	-	-	-	-	-	-	-	
Other liabilities (pre July 12, 2011)	236	-	28	6	2	-	-	36	272	
Contingency	(1)	-	-	-	-	-	-	-	(1)	
<b>Total Disbursements</b>	616	-	199	33	3	180	-	415	1,031	
<b>Net Cash Flow</b>	944	75	(199)	967	(3)	(180)	75	735	1,679	
<b>Intercompany</b>										
Inflow/(outflow) - Pakit Inc.	(135)	-	366	-	-	-	-	366	231	
Inflow/(outflow) - PIT	(790)	-	(267)	(160)	(254)	(6)	(6)	(694)	(1,483)	
<b>Net Cash Flow Post Intercompany</b>	19	75	(100)	807	(257)	(186)	69	408	427	
<b>Cash Position</b>										
Opening Cash Position	6	25	100	-	807	550	363	25	6	
<b>Closing Cash Position</b>	25	100	-	807	550	363	432	432	432	

**Notes:**

1. The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.
2. Customer collections primarily relate to one customer based in North America. Management has assumed receipt of \$1,000,000 in Week 25 which is to be received as a draw on a letter of credit or as proceeds from a factoring transaction with respect to the sale of one machine. An initial deposit of \$99,000 was received in Week 6 as well as a further \$1,000,000 milestone payment in Week 20.
3. Other receipts for Weeks 23 to 28 include \$150,000 of VAT refunds.
4. Raw materials and production costs have been forecast based on estimated costs to complete a Pakit machine as well as prototyping projects in progress.

**Packaging International Technology Sweden AB**  
**Non-Consolidated Weekly Cash Flow Forecast (Note 1)**  
**For the 28-week period ending February 3, 2012**  
**(\$'000's)**

Expressed in CAD Fx Rate (1)	0.1550	Week 1 to Week 22 Actual Total	December Week 23 Forecast 30-Dec	Week 24 Forecast 6-Jan	Week 25 Forecast 13-Jan	Week 26 Forecast 20-Jan	Week 27 Forecast 27-Jan	February Week 28 Forecast 3-Feb	Week 23 to Week 28 Forecast Total	Week 1 to Week 28 Total	Notes
Receipts											
Customer collections		-	-	-	-	-	-	-	-	-	
Funding - Debt		457	-	-	-	-	-	-	-	457	
Other receipts		4	-	-	-	-	-	-	-	4	
Total Receipts		462	-	-	-	-	-	-	-	462	
Disbursements											
Raw materials and production		147	-	181	-	143	6	6	336	483	2
Payroll, benefits and payroll taxes		1,050	-	-	89	101	-	-	190	1,240	3
Sales and marketing costs		-	-	-	-	-	-	-	-	-	
Research and development costs		34	-	10	-	-	-	-	10	44	
Other general and administrative costs		102	-	19	-	11	-	-	29	131	
Rent		279	-	51	-	-	-	-	51	330	3
Consulting fees		24	-	7	-	-	-	-	7	31	
Other Professional fees		-	-	-	-	-	-	-	-	-	
CCAA Professional fees		-	-	-	-	-	-	-	-	-	
Taxes (Sweden VAT)		360	-	-	71	-	-	-	71	431	
Other liabilities (pre July 12, 2011)		916	-	51	-	-	-	-	51	966	4
Contingency		29	-	-	-	-	-	-	-	29	
Total Disbursements		2,941	-	318	160	254	6	6	745	3,687	
Net Cash Flow		(2,480)	-	(318)	(160)	(254)	(6)	(6)	(745)	(3,225)	
Intercompany											
Inflow/(outflow) - Pakit Inc.		1,741	-	-	-	-	-	-	-	1,741	
Inflow/(outflow) - Pakit International		790	-	267	160	254	6	6	694	1,483	
Net Cash Flow Post Intercompany		52	-	(52)	-	-	-	-	(52)	-	
Cash Position											
Opening Cash Position		-	52	52	-	-	-	-	52	-	
Closing Cash Position		52	52	-	-	-	-	-	-	-	

**Notes:**

1. The purpose of this cash flow forecast is to set out the liquidity requirements of Pakit Inc. during the CCAA proceedings. Since projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Bank of Canada exchange rate for Swedish krona to Canadian dollars as at November 25, 2011 plus the expected spread.
2. Raw materials and production costs have been forecast based on estimated costs to complete a Pakit machine as well as prototyping projects in progress.
3. Operating disbursements including rent, payroll and other operating costs have been forecast generally based on the current run-rates of the associated expenses.
4. Other liabilities relate to amounts owed by PIT prior to the Pakit Inc. filing date and are assumed to be paid in order to support the ongoing operations and related receipts. These payments include \$51,000 payment to the landlord during the period from Week 23 to Week 28.