



No. S115028
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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.

FOURTH REPORT OF ALVAREZ & MARSAL CANADA INC.
IN ITS CAPACITY AS MONITOR OF PAKIT INC.
NOVEMBER 30, 2011

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

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PAKIT INC.**

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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. Pakit International has interests in other dormant subsidiaries. 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 Initial Order until December 2, 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 (the "**Monitor's Website**").
- 1.6 An affidavit sworn by Mr. Yaretz, Interim President of Pakit, dated November 29, 2011 (referred to as "**#7 Yaretz Affidavit**") was filed in support of the Company's application for a "Stay Extension Order". This report does not repeat all of the background information contained in the Yaretz Affidavit nor the #7 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 fourth report (the "**Fourth 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 third report, dated October 6, 2011 (the "**Third Report**"). Specifically, the Fourth 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 18 weeks ended November 25, 2011;
- d) A summary of the Pakit Group's updated cash flow forecast for the 28-week period ending February 3, 2012, including actual results for the 18 weeks ended November 25, 2011 and forecast cash flows for the 10 weeks ending February 3, 2012 (the "Feb 3 Cash Flow Forecast"), which has replaced the previous cash flow attached to the affidavit of Mr. Yaretz, dated October 5, 2011 (the "#6 Yaretz Affidavit");
- e) The Monitor's comments and views on the Company's request for an extension of the Stay Period to December 30, 2011. Notwithstanding the Company's notice of application filed on November 29, 2011 which indicated a request for an extension to January 6, 2012, Pakit's legal counsel has subsequently informed the Monitor that the extension of the Stay Period is expected to be requested until December 30, 2011; and
- f) The Monitor's conclusions and recommendations 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 Third Report indicated that since the commencement of the CCAA Proceedings, the Company had raised approximately \$2.6 million, of which \$2.1 million has been provided in the form of equity funding to Pakit and \$457,000 was provided as a loan to PIT supported by a promissory note. Pakit has sourced an additional \$1.0 million of equity funding during the weeks ended November 4 and 11, 2011 (total equity and debt funding raised since the CCAA Proceedings is \$3.6 million, of which \$3.1 million has been in the form of equity).
- 4.2 The funding received by the Company during the CCAA Proceedings has primarily (\$3.1 million of the \$3.6 million total funding) been provided by the Coronado Group, of Arizona, who represents SEI Private Trust Co. FAO JM Smucker Co. Master Trust and Coronado Capital Partners. The Monitor continues to be informed by Pakit that the Coronado Group is aware of the CCAA Proceedings of Pakit and that any equity contributions are at risk.

Restructuring/Funding Initiatives

- 4.3 The Third Report indicated that Senior Management had outlined its plan to raise interim funding in the form of further equity and possibly debtor in possession financing ("**DIP Financing**"), in the absence of equity, which would in Senior Management's view afford the Company additional time to raise approximately \$10 million to \$20 million in order to complete a recapitalization of its balance sheet. The Company has indicated that it expects to receive firm commitments 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, 2011.

- 4.4 The Company has successfully raised \$1.0 million in equity since the Third Report and Pakit International is expecting to receive an additional \$1.0 million from its North American customer for a milestone payment related to the purchase of a Pakit machine by December 1, 2011. These receipts provide the Pakit Group sufficient funding to meet its on-going post-filing obligations as disclosed by the Company and certain pre-filing obligations of the Pakit subsidiaries until January 6, 2012. Pakit previously forecast receipt of approximately \$650,000 from the same North American customer to be received during the week ended November 11, 2011, which was not received and has been delayed (now expected by December 1, 2011 as a part of the \$1 million) referred to above.
- 4.5 On November 27, 2011, Pakit received a draft (unexecuted) letter of intent (“**LOI**”) for \$15 million of funding, a copy of which was provided to the Monitor on November 28, 2011. A summary of certain select terms of the LOI is as follows:
- a) \$15 million of funding to be provided on the basis of a convertible debenture;
 - b) \$1 million deposit is expected to be paid to Pakit’s legal counsel shortly after execution of the LOI;
 - c) Closing date is defined as January 31, 2012 or such other date mutually agreed to by Pakit and the LOI financing party (the “LOI Party”);
 - d) An exclusivity period, which the Company is reviewing;
 - e) Various condition precedents, including Court approval of the LOI and any related final agreements.
- 4.6 The Monitor will at the appropriate time report further on the terms of the agreement, in particular the identity and financial wherewithal of the financier, subject to any confidentiality requirements.
- 4.7 Pakit is in the process of reviewing the draft LOI and may enter into such agreement, subject to Court approval, prior to December 1, 2011. The Monitor has communicated its preliminary views and requests for information related to the draft LOI to the Company, including the identification of the principal party(ies) providing the proposed funding, whether any non-arm’s length parties are involved in the funding, and evidence of the financial wherewithal of the LOI Party.

- 4.8 Confirmation of whether any other potential offers have been received to date regarding funding. Pakit has informed the Monitor that despite its efforts to date no other offers have been received for additional financing.
- 4.9 The Monitor is in the process of collecting further information related to the LOI. Pakit has also confirmed that the Coronado Group is aware of the LOI.
- 4.10 The Company issued letters to its senior convertible debenture holders on November 10 and 16, 2011 addressing certain matters in respect of Pakit's restructuring efforts, including a request that the senior convertible debenture holders agree, subject to Court approval, to postpone and subordinate their debentures to the Series V debentures and other debenture holders who have not agreed to the subordination terms.

5.0 **OTHER MATTERS RELATED TO THE OPERATIONS**

Customers and Potential Customers with LOIs

- 5.1 During the week of November 7, 2011, Mr. Yaretz met with representatives of a North American customer who currently has a purchase order with Pakit for the delivery of one machine. Mr. Yaretz also met with Pepsi Co Inc. ("Pepsi"). These meetings and discussions occurred at the PIT facility to perform site visits and review prototype samples produced to date by the Pakit Group. Senior Management believes that the meetings were favourable and that the Pakit Group received generally positive feedback on the progress made to date with respect to its prototyping work and the Pakit technology.
- 5.2 As noted above, the Company expects to receive a milestone payment of \$1 million from its North American customer who signed a purchase order on August 24, 2011. The Company received a deposit of approximately \$100,000 on August 30, 2011 for the purchase order. The Monitor has requested that the Company provide any revisions to the purchase order or terms related to the receipt of the expected \$1 million milestone payment, including any restrictions to the use of the funds.
- 5.3 Senior Management continues to report to the Monitor that Pakit is making positive progress in respect of the collaborative agreement signed with Pepsi on July 26, 2011.
- 5.4 The Pakit Group has not received any further correspondence from Industrias San Cayetano ("Cayetano"), customer of the Pakit Group, regarding its alleged dispute related to the delivery and performance of Pakit 100 machines.

- 5.5 On September 7, 2011, the Company provided a written reply to Cayetano's allegation and request to "annul" certain Pakit machine contracts. As noted above, Cayetano has not responded to Pakit's reply. Senior Management continues to believe that there may be an opportunity for a resolution with Cayetano. However, Pakit does not expect any near term reply from Cayetano.

Employees

- 5.6 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

- 5.7 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 an updated cash flow forecast for the period ending December 30, 2011 including actual results for the ten weeks ended September 30, 2011 and forecast for the thirteen weeks ending December 30, 2011 (the "**Dec 30 Cash Flow Forecast**") which was filed with #6 Yaretz Affidavit and summarized in the Third Report in support of its request for an extension of the relief under the CCAA proceedings at the October 7, 2011 Court hearing.

Cash Flow for the 18 Weeks Ended November 25, 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 Dec 30 Cash Flow Forecast for the 18 weeks ended November 25, 2011 (the "**18 Week Period**"), are summarized below:

Pakit Group
Unaudited Summary of Actual versus Forecast Cash Flows (Note 1)
For the 18-week Period Ended November 25, 2011
(\$000's)

	Consolidated		
	Actual	Forecast ²	Variance
Receipts			
Customer collections	191	849	(658)
Funding	3,666	3,029	637
Other receipts	496	511	(15)
Total Receipts	4,353	4,388	(35)
Disbursements			
Raw materials and production	101	487	(386)
Payroll, benefits and payroll taxes	1,537	1,493	44
Research and development costs	24	37	(13)
Other general and administrative costs	303	320	(17)
Rent	313	326	(12)
Consulting fees	125	103	22
Other professional fees	75	52	23
CCAA professional fees	439	560	(121)
Taxes (Sweden VAT)	292	347	(55)
Pre-filing liabilities - Pakit Inc.	95	95	-
Other liabilities pre July 12, 2011 (Pakit International and PIT)	909	971	(62)
CCAA contingency	(6)	24	(30)
Total Disbursements	4,207	4,814	(607)
Net Cash Flow	146	(426)	571
Opening Cash Position	726	726	-
Closing Cash Position	871	300	571
Note 1	Readers are referred to the Terms of Reference as set out previously in this report.		
Note 2	Forecast represents the Updated Cash Flow Forecast filed as Exhibit A to the #6 Yaretz Affidavit.		

6.3 Overall, for the 18 Week Period, the Pakit Group has experienced a favourable net cash flow variance of \$571,000 relative to the Dec 30 Cash Flow Forecast. The primary components of the variance are described below:

- a) Customer collections – unfavourable variance of \$658,000. The variance relates to a timing difference with respect to collection from one customer based in North America due to delay in meeting prototype performance requirements. The amount was forecast to be received in the week ended November 11, 2011 and is now expected to be collected in the week ending December 2, 2011 at a revised amount due to the additional requirements of a microwave dryer and pulping system.

- b) Funding receipts – favourable variance of \$637,000. The variance is primarily due to share subscription proceeds of \$659,000 received in the week ended November 11, 2011 which were not included in the forecast.
- c) Raw materials and production – favourable variance of \$386,000. The variance is primarily timing differences including a \$316,000 difference for production costs relating to completion of one of the machines located in Sweden that have been postponed pending receipt of a deposit upon prototype acceptance. The balance of the \$70,000 timing variance relates to reduced raw materials costs for other prototyping projects.
- d) CCAA Professional Fees - favourable variance of \$121,000. The variance is primarily the result of differences with respect to timing of professional fee invoices.
- e) Taxes (Sweden VAT) - favourable variance of \$55,000. The variance is a permanent difference resulting from VAT payments that were lower than forecast.
- f) Other pre-filing liabilities (Pakit International and PIT) – favourable variance of \$62,000. Variance is primarily a timing difference related to pre-filing payments required by suppliers to finish one of the machines located in Sweden that has been postponed pending receipt of a deposit upon prototype acceptance.

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

- 6.4 Senior Management has prepared an updated the cash flow forecast for the 28-week period ending December 30, 2011, including actual results for the 18 weeks ended November 25, 2011 and forecast for the 10 weeks ending February 3, 2012 (the Feb 3 Cash Flow Forecast) which has replaced the Dec 30 Cash Flow Forecast filed with #6 Yaretz Affidavit and summarized in the Third Report.
- 6.5 The 28-Week Cash Flow Forecast is attached as Appendix “A” and a summary is set out in the table below:

Pakit Group
Unaudited Summary of Feb 3 Cash Flow Forecast (Note 1)
For the 28 Weeks Ending February 3, 2012
(\$000's)

	Consolidated		
	18 Weeks	10 Weeks	28 Weeks
	July 23 to Nov 25 Actual	Nov 26 to Feb 3 Forecast	July 23 to Feb 3 Total
Receipts			
Customer collections	191	1,000	1,191
Equity financing	3,666	1,000	4,666
Other receipts	496	279	775
Total Receipts	4,353	2,279	6,632
Disbursements			
Raw materials and production	101	845	945
Payroll, benefits and payroll taxes	1,537	663	2,201
Research and development costs	24	20	44
Other general and administrative costs	303	153	456
Rent	313	139	453
Consulting fees	125	34	160
Other professional fees	75	38	112
CCAA professional fees	439	445	884
Taxes (Sweden VAT)	292	142	434
Pre-filing liabilities - Pakit Inc.	95	-	95
Other liabilities pre July 12, 2011 (Pakit International and PIT)	909	383	1,292
Contingency	(6)	40	34
Total Disbursements	4,207	2,903	7,110
Net Cash Flow	146	(624)	(478)
Cash Position			
Opening Cash Position	726	871	726
Closing Cash Position	871	248	248

Note 1 Readers are referred to the Terms of Reference as set out previously in this report for information regarding the preparation of the Feb 3 Cash Flow Forecast.

6.6 The Company's significant assumptions with respect to the cash flow include the following:

- a) A customer collection of \$1,000,000 is expected to be received from a North American customer by December 1, 2011 relating to a deposit on one machine including a microwave dryer, a tooling set and a pulping system. It is noted that approximately \$650,000 of the \$1 million was previously expected to be received in October and then deferred to November 11, 2011. This payment was not received as previously scheduled due to Pakit not meeting milestones due to revisions and additional work required for the prototype to be delivered to the customer. The Company has indicated that it has recently met its milestone requirement and payment of \$1 million deposit is forthcoming. The Monitor has requested details of the payment terms, including whether there are any restrictions of the use of funds.
- b) The Company expects to raise \$1,000,000 by way of equity or a loan to be received in the week ending January 6, 2012. However, there are currently no commitments to receive this funding. The forecast does not reflect a larger equity financing that is expected to be committed before the end of December and received before the end of January or any additional payments that would be made following receipt of such funding.
- c) Raw materials and production costs have been forecast based on estimated costs related to work required on one existing Pakit machine including a pulping system and microwave dryer totalling \$740,000 and the balance relates to on-going prototyping projects.
- d) Other general and administrative expenses, including rent, payroll, consulting fees and other general and administrative expenses have been forecast generally based on the current run-rates of the associated expenses and adjusted to reduce certain disbursements to a minimum level during the restructuring period.
- e) Certain other pre-July 12, 2011 liabilities of \$383,000 owed by Pakit International and PIT are assumed by Senior Management to be critical payments required during the period in order to support ongoing operations and related receipts. These payments include arrears due to suppliers, patent attorneys and the landlord of the production facility in Sweden. The Monitor understands that there is a risk that a creditor of PIT and/or Pakit International, which are not currently subject to the CCAA Proceedings, may

possible take enforcement action which could cause significant disruption to the Pakit Group's ability to continue to operate.

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 2, 2011. The Monitor understands that Pakit will be making an application to this Honourable Court for an extension of the Stay Period until December 30, 2011.

7.2 The Monitor has considered the following with respect to Pakit's request for an extension of the Stay Period to December 30, 2011:

- a) the cash flow forecast of the Pakit Group up to and including February 3, 2011 and the liquidity of the Pakit Group during that period of time;
- b) the progress made in respect of the prototyping work for one North America customer as evidenced by Pakit's indication that the customer has agreed to make the \$1 million milestone payment imminently, which is expected to be received by December 1, 2011. However, this is yet to be confirmed by the actual receipt of the payment as Pakit has not received the funds as of the time of issuing this report;
- c) the recent positive development regarding Pakit's funding efforts, including receipt of a LOI for \$15 million of funding which the Company is reviewing;
- d) Pakit's disclosure of its operational and funding status efforts to its most significant secured creditor who has not raised any known objections, except for its view that only if a binding funding commitment to pay the Pakit secured creditors by January 31, 2012 is received by the end of December will it agree that the stay should continue beyond December 30, 2011 to January 6, 2012 or such later date; 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 RECOMMENDATIONS

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 raise funding since the commencement of the CCAA Proceedings with the goal of receiving commitments by December 30, 2011 for sufficient proceeds to allow the


Company to settle its debts or make other arrangements with its creditors in early 2012. The Company has demonstrated its ability to raise equity funding during the CCAA Proceedings. This is further supported by the Company's ability to source a LOI for a \$15 financing, albeit the terms of the draft LOI remain the subject of discussion and negotiations.

- b) Expected customer collection of \$1 million, as reflected in the 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 to January 6, 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 December 9, 2011.

8.2 Based on the foregoing information, the Monitor respectfully submits to this Honourable Court it would be appropriate for the relief under the Initial Order to be extended to December 30, 2011 provided reasonable documentation is received by the Pakit Group prior to the Court hearing scheduled on December 1, 2011 supporting the \$1 million customer milestone payment, including related terms consistent with the Feb 3 Cash Flow Forecast.

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

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

Per: 
Pam K. Boparai
Vice President

APPENDIX A

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

	Week 1 to		December				January				February	
	Week 18 Actual	Week 19 Forecast	Week 20 Forecast	Week 21 Forecast	Week 22 Forecast	Week 23 Forecast	Week 24 Forecast	Week 25 Forecast	Week 26 Forecast	Week 27 Forecast	Week 28 Forecast	Week 1 to Week 28 Total
Receipts												
Customer collections	191	1,000	-	-	-	-	-	-	-	-	-	1,191
Funding	3,666	-	-	-	-	-	1,000	-	-	-	-	4,666
Proposed DIP financing	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	496	75	-	5	-	75	-	-	10	39	75	775
Total Receipts	4,353	1,075	-	5	-	75	1,000	-	10	39	75	6,632
Disbursements												
Raw materials and production	101	83	219	179	181	-	-	170	-	6	6	845
Payroll, benefits and payroll taxes	1,537	20	104	48	111	62	-	152	101	66	-	663
Sales and marketing costs	-	-	-	-	-	-	-	-	-	-	-	-
Research and development costs	24	10	-	-	-	-	10	-	-	-	-	20
Other general and administrative costs	303	21	3	6	1	-	110	-	12	-	-	44
Rent	313	69	2	-	-	-	69	-	-	-	-	153
Consulting fees	125	6	15	-	-	-	13	-	-	-	-	139
Other Professional fees	75	4	-	17	-	-	-	17	-	-	-	34
CCAA Professional fees	439	60	40	40	50	30	60	35	40	30	60	38
Taxes (Sweden VAT)	292	-	71	-	-	-	-	71	-	-	-	884
Pre-filing liabilities - Pakit Inc.	95	-	-	-	-	-	-	-	-	-	-	142
Other liabilities pre July 12, 2011 (Pakit International and PIT)	909	105	141	7	43	-	79	6	2	-	-	383
Fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
DIP financing repayment	-	-	-	-	-	-	-	-	-	-	-	-
Contingency	(6)	-	-	20	-	-	-	-	20	-	-	34
Total Disbursements	4,207	377	595	318	386	92	341	451	175	102	66	2,903
Net Cash Flow	146	698	(595)	(313)	(386)	(17)	659	(451)	(165)	(63)	9	(478)
Intercompany inflow/(outflow)												
Pakit Inc.	(682)	-	-	-	(235)	-	(91)	(363)	(115)	-	-	(805)
Pakit International	(21)	(200)	(426)	(16)	(50)	-	(46)	203	3	(6)	(6)	(544)
PIT	703	200	426	16	285	-	137	160	112	6	6	1,348
Total Intercompany	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow Post Intercompany	146	698	(595)	(313)	(386)	(17)	659	(451)	(165)	(63)	9	(478)
Cash Position												
Opening Cash Position	726	871	1,569	974	661	275	258	918	467	302	239	871
Closing Cash Position	871	1,569	974	661	275	258	918	467	302	239	248	726
												248

Notes:

See next page.

Pakit Inc.
CONSOLIDATED Weekly Cash Flow Forecast (Note 1)
For the 28-week period ending February 3, 2012

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. The forecast above is an illustrative scenario which does not take into consideration a large equity funding that Pakit is currently in the process of attempting to raise. Although no commitment to provide such funding has been received to date, management expects to have a commitment for such funding before December 31, 2011 and to receive the proceeds before January 31, 2012. These expected proceeds and corresponding additional disbursements are not reflected in the forecast above.
2. Customer collections primarily relate to one customer based in North America. Management has assumed payment of \$1,000,000 in Week 19 which is to be received as a deposit on one machine including a microwave dryer and wet end. An initial deposit of \$99,000 was received in Week 6.
3. The Company expects to receive \$1,000,000 in additional financing in Week 24. There are currently no commitments to receive this funding. The forecast does not reflect a larger equity financing that is expected to be committed before the end of December and received before the end of January or any additional payments that would be made following receipt of such funding. The Company is in discussions with a potential investor to provide the large funding but no agreement has been executed.
4. It is assumed that no DIP financing will be required as sufficient equity financing is expected to be raised.
5. Other receipts for Weeks 19 to 23 include \$225,000 of VAT refunds, \$15,000 of HST refunds and \$39,000 of receipts from prototyping projects.
6. Raw materials and production costs have been forecast based on estimated costs to complete units and prototyping project in progress.
7. 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, office costs and fund raising commissions estimated at 7% of funds raised.
8. Professional fee disbursements have been forecast based on projected costs by professional services firms relating to the restructuring.
9. 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 if equity financing is received in order to support the ongoing operations of these entities and related receipts. These payments are forecast to include \$256,000 of payments to suppliers, \$102,000 of payments to the PIT landlord and \$25,000 of payments to patent attorneys for the period from Week 19 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 18 Actual Total	December					January					February		Week 19 to Week 28 Forecast Total	Notes
		Week 19 Forecast 2-Dec	Week 20 Forecast 9-Dec	Week 21 Forecast 16-Dec	Week 22 Forecast 23-Dec	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	Week 28 Forecast 3-Feb				
Receipts															
Customer collections	91	-	-	-	-	-	-	-	-	-	-	-	-	91	
Funding - Equity	3,209	-	-	-	-	-	1,000	-	-	-	-	-	1,000	4,209	2
Proposed DIP financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
Other receipts	156	-	-	5	-	-	-	-	-	10	-	-	15	171	
Total Receipts	3,456	-	-	5	-	-	1,000	-	-	10	-	-	1,015	4,471	
Disbursements															
Raw materials and production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
Payroll, benefits and payroll taxes	532	8	-	48	-	62	-	48	-	-	56	-	222	754	
Research and development costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other general and administrative cost	195	21	-	-	-	-	91	-	-	-	-	-	113	308	4
Rent	71	18	-	-	-	-	18	-	-	-	-	-	36	107	4
Consulting fees	95	5	9	-	-	-	5	-	-	-	-	-	19	114	
Other Professional fees	15	-	-	5	-	-	-	5	-	-	-	-	10	25	
CCAA Professional fees	439	60	40	40	50	30	60	35	40	30	60	60	445	884	5
Pre-filing liabilities	95	-	-	-	-	-	-	-	-	-	-	-	-	95	
Contingency	(27)	-	-	20	-	-	-	-	20	-	-	-	40	13	
Total Disbursements	1,415	112	49	113	50	92	174	88	60	86	60	60	884	2,299	
Net Cash Flow	2,041	(112)	(49)	(108)	(50)	(92)	826	(88)	(50)	(86)	(60)	(60)	131	2,172	
Intercompany	-														
Inflow/(outflow) - PIT	(1,249)	-	-	-	-	-	-	-	-	-	-	-	-	(1,249)	
Inflow/(outflow) - International	(682)	-	-	-	(235)	-	(91)	(363)	(115)	-	-	-	(805)	(1,486)	
Net Cash Flow Post Intercompany	110	(112)	(49)	(108)	(285)	(92)	734	(451)	(165)	(86)	(60)	(60)	(674)	(564)	
Cash Position															
Opening Cash Position	720	830	717	669	561	275	183	918	467	302	216	216	830	720	
Closing Cash Position	830	717	669	561	275	183	918	467	302	216	156	156	156	156	

Notes:

- 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
- Customer collections primarily relate to one customer based in North America. Management has assumed payment of \$1,000,000 in Week 19 which is to be received as a deposit on one machine including a microwave dryer and wet end. An initial deposit of \$99,000
- It is assumed that no DIP financing will be required as sufficient equity financing is expected to be raised.
- 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
- 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 18 Actual Total	December				January				February				Notes
		Week 19 Forecast 2-Dec	Week 20 Forecast 9-Dec	Week 21 Forecast 16-Dec	Week 22 Forecast 23-Dec	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	Week 28 Forecast 3-Feb	Week 19 to Week 28 Forecast Total	Week 1 to Week 28 Total	
Receipts														
Customer collections	99	1,000	-	-	-	-	-	-	-	-	-	1,000	1,099	2
Funding	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other receipts	336	75	-	-	-	75	-	-	-	39	-	264	600	3
Total Receipts	435	1,075	-	-	-	75	-	-	-	39	75	1,264	1,699	
Disbursements														
Raw materials and production	-	-	76	170	-	-	-	170	-	-	-	416	416	4
Payroll, benefits and payroll taxes	131	-	15	-	10	-	-	15	-	10	-	50	181	
Sales and marketing costs	-	-	-	-	-	-	-	-	-	-	-	-	-	
Research and development costs	3	-	-	-	-	-	-	-	-	-	-	-	-	
Other general and administrative costs	18	-	3	-	1	-	-	-	1	-	-	5	23	3
Rent	11	-	2	-	-	-	-	-	-	-	-	2	13	2
Consulting fees	6	1	-	-	-	-	-	-	-	-	-	2	8	
Other Professional fees	60	4	-	12	-	-	1	-	-	-	-	28	88	
CCAA Professional fees	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other liabilities (pre July 12, 2011)	184	27	25	7	40	-	28	6	2	-	-	135	319	5
Contingency	(3)	-	-	-	-	-	-	-	-	-	-	-	(3)	
Total Disbursements	411	32	121	189	51	-	29	203	3	10	-	637	1,048	
Net Cash Flow	24	1,043	(121)	(189)	(51)	75	(29)	(203)	(3)	29	75	627	651	
Intercompany														
Inflow/(outflow) - Pakit Inc.	682	-	-	-	235	-	91	363	115	-	-	805	1,486	
Inflow/(outflow) - PIT	(703)	(200)	(426)	(16)	(285)	-	(137)	(160)	(112)	(6)	(6)	(1,348)	(2,051)	
Net Cash Flow Post Intercompany	3	843	(547)	(205)	(101)	75	(75)	-	-	23	69	83	86	
Cash Position														
Opening Cash Position	6	9	852	305	101	-	75	-	-	-	-	9	6	
Closing Cash Position	9	852	305	101	-	75	-	-	-	23	92	92	92	

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 payment of \$1,000,000 in Week 19 which is to be received as a deposit on one machine including a microwave dryer and wet end. An initial deposit of \$99,000 was received in Week 6.
3. Other receipts for Weeks 19 to 28 include \$225,000 of VAT refunds and \$39,000 of receipts from prototyping projects.
4. Raw materials and production costs have been forecast based on estimated costs to complete units and prototyping project in progress.
5. Other liabilities relate to amounts owed by Pakit International 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 \$25,000 for legal fees for the patent attorneys, \$110,000 for suppliers for the period from Week 19 to Week 28.

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														Notes	
		December				January				February				Week 19 to Week 28 Forecast Total	Week 1 to Week 28 Forecast Total		
		Week 18 Actual Total	Week 21 Forecast 2-Dec	Week 20 Forecast 9-Dec	Week 22 Forecast 16-Dec	Week 23 Forecast 23-Dec	Week 24 Forecast 30-Dec	Week 25 Forecast 6-Jan	Week 26 Forecast 13-Jan	Week 27 Forecast 20-Jan	Week 28 Forecast 27-Jan	Week 28 Forecast 3-Feb					
Receipts																	
Customer collections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funding - Debt		457	-	-	-	-	-	-	-	-	-	-	-	-	457	4	-
Other receipts		4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Receipts		462	-	-	-	-	-	-	-	-	-	-	-	-	462	-	-
Disbursements																	
Raw materials and production		101	83	143	9	181	-	-	-	-	6	6	-	-	529	2	-
Payroll, benefits and payroll taxes		874	12	89	-	101	-	-	89	101	-	-	-	-	1,265	3	-
Sales and marketing costs		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Research and development costs		22	10	-	-	-	-	10	-	-	-	-	-	-	42	20	-
Other general and administrative costs		89	-	-	6	-	-	19	-	11	-	-	-	-	125	36	-
Rent		231	51	-	-	-	-	51	-	-	-	-	-	-	332	102	-
Consulting fees		24	-	7	-	-	-	7	-	-	-	-	-	-	38	14	-
Other Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCAA Professional fees		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes (Sweden VAT)		292	-	71	-	-	-	-	71	-	-	-	-	-	434	142	-
Other liabilities (pre July 12, 2011)		725	78	116	-	3	-	51	-	-	-	-	-	-	973	248	-
Contingency		24	-	-	-	-	-	-	-	-	-	-	-	-	24	-	-
Total Disbursements		2,381	233	426	16	285	-	137	160	112	6	6	-	-	3,762	-	-
Net Cash Flow		(1,920)	(233)	(426)	(16)	(285)	-	(137)	(160)	(112)	(6)	(6)	-	-	(3,301)	-	-
Intercompany																	
Inflow/(outflow) - Pakit Inc.		1,249	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inflow/(outflow) - Pakit International		703	200	426	16	285	-	137	160	112	6	6	-	-	1,249	-	-
Net Cash Flow Post Intercompany		33	(33)	-	-	-	-	-	-	-	-	-	-	(33)	2,051	-	-
Cash Position																	
Opening Cash Position		-	33	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Cash Position		33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 units and 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 \$102,000 of payment to the landlord and \$146,000 of supplier payments during the period from Week 19 to Week 28.