

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.

NOTICE OF APPLICATION

Names of applicant: PAKIT INC.

TO: THE SERVICE LIST AS SET OUT IN SCHEDULE "A"

TAKE NOTICE that an application will be made by the applicant at the courthouse at 800
Smithe Street, Vancouver, BC, on Monday, the 23rd day of January, 2012 at 1:45 p.m., for an
order in the form attached as Schedule "B" hereto.

PART 1: ORDER SOUGHT

1. An order in the form attached as **Schedule "B."**

PART 2: FACTUAL BASIS

1. The Petitioner seeks the approval of this Court to enter into and carry out two separate transactions:
 - (a) to pay out Fairfax Financial Holdings Limited ("Fairfax") in full and to make arrangements to pay its other convertible debentures in full (except for those who have agreed to subordinate and postpone payment of their secured debt to a later date); and

- (b) to sell a machine to a customer on terms contemplating an immediate transfer of title in exchange for the provision of financing for the completion of the fabrication of that machine.
2. The first phase of the Petitioner's strategy to emerge successfully from CCAA protection is to pay out its secured creditors, including its largest secured creditor, Fairfax. Fairfax is owed approximately \$5.7 million.
 3. Fairfax's debt is subordinated to a series of widely-held senior convertible debentures that are worth in the aggregate approximately \$3.6 million.
 4. The Petitioner has sought agreement from the holders of the senior convertible debentures, subject to the approval of this Court, to subordinate their debentures to Fairfax and to postpone payment to November 2012. The holders of approximately \$548,179 of the senior convertible debentures have agreed to subordinate and extend on that basis.
 5. The Petitioner has agreed with Fairfax that it would not seek a further extension of the initial order herein, and would not oppose Fairfax's pending receivership application, unless Fairfax is paid in full on or before January 31, 2012.
 6. The Petitioner has entered into an agreement to receive \$10 million by January 31, 2012 in exchange for shares.
 7. With the approval of this Court, the Petitioner intends to apply those funds, upon receipt, to pay Fairfax on or before January 31, 2012 and to place sufficient funds in trust with the monitor's counsel to pay the non-subordinating senior convertible debenture holders in full upon further order of the Court.
 8. The Petitioner's longer term strategy to emerge successfully from CCAA protection calls for it to become profitable through sales of its Pakit100 machines and other products. To that end, it has made significant progress during these proceedings in developing a new relationship with a customer which has indicated its intention to buy several Pakit100 machines. The customer has already paid \$1 million towards the first machine.
 9. Because the Petitioner has little income at present pending future machine sale revenues, the Petitioner is short of the necessary funds to complete construction of the machine without further financing. The customer has indicated its willingness to finance the remaining construction on certain terms, including a transfer of title in the machine forthwith upon receipt of court approval for the proposed agreement.

10. The Petitioner therefore seeks approval of the proposed agreement so that it can complete the machine and improve its cash flow position in the coming weeks while it does so.

PART 3: LEGAL BASIS

1. The applicant will rely on s.11 of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and the inherent jurisdiction of this Court.

PART 4: MATERIAL TO BE RELIED ON

1. Affidavit #12 of Dwayne Yaretz, sworn January 20, 2012.

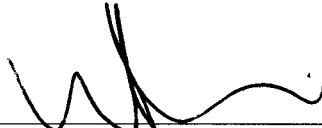
The applicant estimates that the application will take ten (10) minutes.

This matter is not within the jurisdiction of a master, because the Honourable Mr. Justice Burnyeat is seized of the matter.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application:

- (a) file an Application Response in Form 33
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following
 - (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

DATED: January 20, 2012



Warren B. Milman
Counsel for the Petitioner, Pakit Inc.

To be completed by the court only:

Order made

☐ in the terms requested in paragraphs
of Part 1 of this Notice of Application

☐ with the following variations and additional terms:

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

DATED: _____

Signature of ☐ Judge

☒ ~~Master~~

SCHEDULE "A"

SERVICE LIST

<p>Petitioner PAKIT INC. 2250 – 1050 West Pender Street Vancouver, BC V6E 3S7 Attn: Dwayne Yaretz</p> <p>Direct: 604-683-3200 / 360-214-3112 Facsimile: 604-683-3204 Email: dyaretz@gmail.com</p>	<p>Counsel for Petitioner MCCARTHY TÉTRAULT LLP 1300 – 777 Dunsmuir Street Vancouver, BC V7Y 1K2 Attn: Warren B. Milman</p> <p>Direct: 604-643-7104 Facsimile: 604-622-5704 Email: wmilman@mccarthy.ca</p>
<p>Monitor ALVAREZ & MARSAL CANADA INC. 1680 – 400 Burrard Street Vancouver, BC V6C 3A6 Attn: Pam K. Boparai/Tom Powell</p> <p>Direct: 604-638-7446 Facsimile: 604-638-7441 Email: pboparai@alvarezandmarsal.com tpowell@alvarezandmarsal.com</p>	<p>Counsel for Monitor BORDEN LADNER GERVAIS LLP 1200 – 200 Burrard Street Vancouver, BC V7X 1T2 Attn: Magnus C. Verbrugge</p> <p>Direct: 604-640-4198 Facsimile: 604-622-5898 Email: mverbrugge@blg.com</p>
<p>Counsel for Fairfax Financial Holdings Limited and Craig Barton BLAKE, CASSELS & GRAYDON LLP 2600 – 595 Burrard Street Vancouver, BC V7X 1L3 Attn: Peter L. Rubin/Tanveer M. Siddiqui</p> <p>Direct: 604-631-3315 / 4282 Facsimile: 604-631-3309 Email: peter.rubin@blakes.com tanveer.siddiqui@blakes.com</p>	<p>Counsel for True Partners Financial Services, LLC THOMPSON DORFMAN SWEATMAN LLP 2200 – 201 Portage Avenue Winnipeg, Manitoba R3B 3L3 Attn: Ross A. McFadyen/James G. Edmond</p> <p>Direct: 204-934-2378 / 2450 Facsimile: 204-934-0538 / 0508 Email: ram@tdslaw.com jge@tdslaw.com</p>
<p>Secured Creditor HSBC BANK CANADA Special Credit Department 400 – 888 Dunsmuir Street Vancouver, BC V6C 3K4 Attn: Philip Wong</p> <p>Direct: 604-641-2584 Facsimile: 604-641-1909 Email: philip_wong@hsbc.ca</p>	<p>Counsel for Canada Revenue Agency DEPARTMENT OF JUSTICE BC Regional Office 900 – 840 Howe Street Vancouver, BC V6Z 2S9 Attn: Neva Beckie/Wendy Petersmeyer</p> <p>Direct: 604-666-5443 / 0948 Facsimile: 604-666-1462 Email: neva.beckie@justice.gc.ca wendy.petersmeyer@justice.gc.ca</p>
<p>Counsel for ATS Automation Tooling Systems Inc. GOWLING LAFLEUR HENDERSON LLP 2300 – 550 Burrard Street Vancouver, BC V6C 2B5 Attn: John I. McLean</p> <p>Direct: 604-891-2285 Facsimile: 604-683-3558 Email: john.mclean@gowlings.com</p>	<p>Counsel for True Partners Financial Services, LLC FASKEN MARTINEAU DUMOULIN LLP 2900 – 550 Burrard Street Vancouver, BC V6C 0A3 Attn: Kibben Jackson</p> <p>Direct: 604-631-4786 Facsimile: 604-632-4786 Email: kjackson@fasken.com</p>

SCHEDULE "B"

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.

ORDER MADE AFTER APPLICATION

BEFORE)	THE HONOURABLE)	MONDAY, THE 23 RD DAY
))	
)	MR. JUSTICE BURNYEAT)	OF JANUARY, 2012
))	

ON THE APPLICATION of the Petitioner, Pakit Inc., coming on for hearing at 800 Smithe Street, Vancouver, British Columbia on the 23rd day of January, 2012, AND ON HEARING Warren B. Milman on behalf of the Petitioner, Magnus C. Verbrugge on behalf of the Monitor, Peter L. Rubin on behalf of the Respondent, Fairfax Financial Holdings Limited, and Kibben Jackson on behalf of the Respondent, True Partners Financial Services, LLC;

THIS COURT ORDERS that:

1. The time for service is hereby abridged so that the application for this order is properly returnable this day.
2. Notwithstanding any previous order made herein:
 - (a) the Petitioner is hereby permitted to enter into and to cause its subsidiaries to enter into the form of agreement attached hereto as **Appendix "A"**;
 - (b) the Amendment Agreements which the Petitioner has entered into with certain of its convertible debenture holders in the form attached hereto as **Appendix "B1"** and **"B2"** are hereby approved with effect upon payment in full by the Petitioner of the amounts contemplated to be paid in the next sub-paragraph; and
 - (c) the Petitioner is hereby permitted, immediately upon receipt of sufficient funds to do so on or before January 31, 2012:

- (i) to pay all amounts due and owing to Fairfax Financial Holdings Limited under its convertible debenture; and
- (ii) to pay into the trust account of monitor's counsel sufficient funds to pay all amounts due and owing under those of its senior convertible debentures that are not subject to an executed Amending Agreement in the form attached hereto as Appendix "B1" or "B2", to be paid out by monitor's counsel pursuant to a future order of this Court.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

WARREN B. MILMAN
Counsel for the Petitioner, Pakit Inc.

BY THE COURT

REGISTRAR

MAGNUS C. VERBRUGGE
Counsel for the Monitor

PETER L. RUBIN
Counsel for Fairfax Financial Holdings
Limited

KIBBEN JACKSON
Counsel for True Partners Financial
Services, LLC

EQUIPMENT PURCHASE AGREEMENT

This Equipment Purchase Agreement (the "**Agreement**") is made on January 23, 2012, (the "**Effective Date**")

BETWEEN:

PAKIT INTERNATIONAL TRADING COMPANY INC., a
corporation formed under the laws of Barbados,

(the "**Seller**"),

AND:

PAKIT INC., a corporation formed under the laws of Canada

(**"PAKIT"**),

AND:

**PACKAGING INTERNATIONAL TECHNOLOGY SWEDEN
AB**, a corporation formed under the laws of Sweden

(**"PAKIT Sweden"**),

AND:

[REDACTED] INC., a corporation formed under
the laws of the State of Delaware, USA,

(the "**Purchaser**").

WHEREAS the Purchaser wishes to purchase from the Seller, and the Seller wishes to sell to the Purchaser, all of the Seller's right, title and interest in the Equipment and the Pakit100 to be manufactured therefrom (all as defined below) on the terms and conditions set out herein;

AND WHEREAS PAKIT and PAKIT Sweden have joined in this Agreement to provide additional assurances to the Purchaser that it shall acquire clear title to the Equipment and the Pakit100 to be manufactured therefrom pursuant to the terms of this Agreement.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the parties agree as follows:

1. TERMS OF SALE

- (a) **Sale of Pakit100 and Equipment.** The Seller hereby sells, transfers and assigns all right, title and interest of the Seller in the Pakit100 machine, as described and identified in Schedule A, including the forming unit, the microwave dryer and the stock preparation

system (collectively, the “**Pakit100**”). For the avoidance of doubt, the parties acknowledge that the Pakit100 is not yet completed and therefore agree that the sale includes all parts, components, materials and work in progress, which are to be assembled from time to time, now in the possession, or which subsequently come into the possession of the Seller, PAKIT Sweden or any supplier of the Seller to be incorporated by the Seller into the Pakit100 (collectively, the “**Equipment**”). The parties further agree that notwithstanding any other provision of this Agreement, no intellectual property rights of any kind are to be transferred or assigned by the Seller to the Buyer provided that, Purchaser shall possess all necessary rights to use the Pakit100, the Equipment and the tooling set for a [REDACTED] tray to be delivered to Purchaser pursuant to this Agreement. The parties agree that legal title with respect to the Pakit100 and the Equipment is transferred to the Purchaser on the Effective Date.

- (b) **Custody of Pakit100 and Equipment.** The Purchaser allows the Pakit100 and all Equipment to remain in the custody of the Seller. For title perfection purposes, the Purchaser will submit an application for registration of the sale and purchase under this Agreement pursuant to the Swedish Act on Registration of Moveable Property Left in the Possession of the Vendor (Sw. lag (1845:50 s.1) om handel med lösören, som köparen låter i säljarens vård kvarbliva). The Seller shall provide the Purchaser with all reasonable and timely assistance to accomplish the registration.
- (c) **Manufacture of Pakit100.**
 - (i) The Seller and PAKIT Sweden will use the Equipment only to manufacture the forming unit which is part of the Pakit100 for the Purchaser.
 - (ii) The Seller will complete a factory acceptance test of the Pakit100 forming unit no later than March 8, 2012 following which it shall be delivered to the Purchaser.
 - (iii) Notwithstanding the foregoing, the Seller will also irrevocably authorize and direct ATS Automation Tooling Systems Inc. (“ATS”) to complete the manufacture of the Pakit100 using the Equipment at the Purchaser’s direction if the Seller, PAKIT or PAKIT Sweden materially breach this Agreement, and the Seller will take all commercially reasonable steps to ensure that ATS is authorized to do so.
 - (iv) The Seller agrees that it will cause PAKIT Sweden to manufacture the tooling set for a [REDACTED] tray for the Pakit100. In the event PAKIT Sweden fails to complete the required tooling set for a [REDACTED] tray for the Pakit100 pursuant to the terms hereof and the terms of Purchaser’s purchase order no. [REDACTED] dated on or about August 24, 2011 (the “**Purchase Order**”), as supplemented by this Agreement, Seller shall make its personnel available to provide reasonable assistance to Purchaser and undertake all other commercially reasonable steps necessary to enable Purchaser to complete the manufacture of the tooling set for a [REDACTED] tray.

- (v) The parties acknowledge and agree that the Purchaser will supply the items listed in Schedule C in connection with the manufacture and operation of the Pakit100.
- (vi) The parties acknowledge and agree that the Equipment and the Pakit100 do not, and will not, include the items listed in Schedule D.
- (d) **Risk of Loss.** Legal title, equitable title and risk of loss with respect to Equipment and the Pakit100 will vest in the Purchaser on the Effective Date, however while the Equipment or the Pakit100 is in the Seller's possession or the possession of PAKIT Sweden, the Seller and PAKIT Sweden will carry the necessary insurance coverage to insure the loss of the Equipment and the Pakit100 which will name the Purchaser as an additional insured.

2. PRICE

- (a) **Price.** The price for the Pakit100 and the tooling and all services and obligations of the Seller contemplated herein is \$[REDACTED] (the "**Purchase Price**"). The Purchase Price and all other dollar amounts referred to herein are in Canadian dollars. Seller acknowledges and agrees that Purchaser has previously paid \$1,000,000 of the Purchase Price, and the remaining unpaid portion of the Purchase Price is \$[REDACTED], which shall be paid in accordance with Schedule B.
- (b) **Payment Terms.** The Seller authorizes and directs the Purchaser to pay the remaining unpaid portion of the Purchase Price in accordance with the provisions contained in Schedule B and confirms that all payments made in accordance with said Schedule B shall be deemed for all purposes to have been made to the Seller.
- (c) **Use of Purchase Price Payments.** The Seller agrees that all payments of installments of the remaining unpaid portion of the Purchase Price which are made to the Seller or to PAKIT as set out in Schedule B and will be used by the Seller only for the purposes described in Schedule B attached hereto.
- (d) **Shipping, Taxes.** All shipping and delivery costs, federal, provincial, state and local taxes, sales taxes, import/export taxes and duties or assessments payable as a result of the transactions described herein are not included in the Purchase Price and will be payable by the Seller.
- (e) **Court Approval.** The parties agree that a condition precedent to all rights and obligations contemplated herein is the receipt of an order being made by the Supreme Court of British Columbia permitting the Seller, PAKIT and PAKIT Sweden to enter into this Agreement and the transactions contemplated hereunder, and the Seller will, upon receipt of an entered copy of the order, deliver to the Purchaser a copy thereof.
- (f) **Bill of Sale.** On the request of the Purchaser, the Seller will deliver to the Purchaser a Bill of Sale with respect to the Pakit100 in a form satisfactory to the Purchaser, acting reasonably, or such other document or instrument that the Purchaser reasonably determines is necessary to evidence the transfer of title to the Pakit100 from the Seller to the Purchaser under the laws of Sweden.

- (g) **Currency.** All monetary amounts in this Agreement are stated in Canadian currency.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

- (a) Each party represents and warrants to the other as follows:
- (i) it has the corporate capacity to enter into this Agreement and to perform each of its obligations hereunder;
 - (ii) it has duly authorized, executed and delivered this Agreement;
 - (iii) neither the entering into of this Agreement, nor the performance by it of any of its obligations under this Agreement will contravene, breach or result in any default under its constating documents, or any legally binding instrument, permit, statute, regulation, order, judgment, decree or law to which it is a party or by which it is bound;
 - (iv) other than the court approval described in Section 2(e), no authorization, consent or approval of, or filing with or notice to, any governmental agency, regulatory body, court or other person is required in connection with the execution, delivery or performance of this Agreement by it; and
 - (v) the performance of its obligations set out in this Agreement will comply with all applicable laws.
- (b) Seller, PAKIT and PAKIT Sweden (together referred to as the “**PAKIT Parties**”) jointly and severally represent, warrant and covenant to Purchaser as follows:
- (i) No vendors or suppliers that have provided or will provide any portion of the goods or services included in the Equipment and the Pakit100 to be manufactured therefrom has retained title to any tangible property that such vendor or supplier provided to any of the PAKIT Parties.
 - (ii) Except as reflected on Schedule A, all of the tangible items that comprise the Equipment and the Pakit100 to be manufactured therefrom are located at PAKIT Sweden’s premises located in Sweden.
 - (iii) The PAKIT Parties shall not remove any of the tangible items that comprise the Equipment and the Pakit100 to be manufactured therefrom from PAKIT Sweden’s premises located in Sweden without Purchaser’s prior written consent.
 - (iv) Upon execution of this Agreement, Purchaser shall have good title to the Equipment and the Pakit100 to be manufactured therefrom free and clear of all liens, claims and encumbrances.

4. MISCELLANEOUS

- (a) **Independent Contractors.** This Agreement does not create an employer-employee relationship, a partnership, a joint venture, or a principal-agent relationship between the parties. Except as may be provided for in this Agreement, neither party may bind or attempt to bind the other to any agreement.
- (b) **Survival.** The representations, warranties and covenants contained herein will survive and continue until the completion of performance of all acts and transactions of all parties contemplated hereunder. The parties expressly agree that this Agreement will survive the bankruptcy of the Seller and that it will remain binding upon any assignee of the Seller, including any receiver or trustee in bankruptcy, that may be appointed in respect of the Seller.
- (c) **Interest of Parties.** PAKIT hereby covenants that it has no right, title (including retained title) or interest in the Equipment or in the Pakit100 and that it will have no such right, title or interest. PAKIT Sweden hereby covenants that it has no right, title (including retained title) or interest in the Equipment or in the Pakit100 and that it will have no such right, title or interest.
- (d) **Cooperation.** The parties will cooperate to prepare and execute any document or to seek and obtain any court order as may be necessary to implement or give effect to the terms and conditions of this Agreement.
- (e) **Governing Law.** This Agreement is governed by and will be construed in accordance with the laws of the State of Delaware.
- (f) **Attornment.** For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the State of Delaware and the courts of the State of Delaware will have jurisdiction to entertain any action arising under this Agreement. The Seller and the Purchaser attorn to the jurisdiction of the courts of the State of Delaware.
- (g) **Modification.** This Agreement is not modified or supplemented by any agreement or representation that is not contained in this document. Modifications or supplements to this Agreement must be in writing and signed by the parties.
- (h) **Assignment.** The rights and duties under this Agreement are not assignable by either party without the other party's prior written consent.
- (i) **Waiver.** Waiver by either party of non-performance or any breach of this Agreement does not constitute a waiver of any subsequent non-performance or other breach of the same or any other provision.
- (j) **Notices.** Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To PAKIT, PAKIT Sweden and PAKIT Barbados:

PAKIT INTERNATIONAL TRADING COMPANY INC.
Suite 2250 – 1050 West Pender Street
Vancouver, British Columbia
Canada
V6E 3S7

Fax No.: (604) 683-3204

Attention: President

To the Purchaser:

[REDACTED]

Fax No.: [REDACTED]

Attention: General Counsel

With a copy to:

[REDACTED]

Attention: [REDACTED]

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business Day during which such normal business hours next occur if not given during such hours on any day.

- (k) **Severability.** If any provision of this Agreement is held to be invalid, the validity of the remainder of the Agreement will not be affected, and the rights and obligations of the parties will be construed and enforced as if the Agreement did not contain the invalid provision. The provisions of this Agreement are severable.
- (l) **Entire Agreement.** This Agreement and the terms and conditions of the Purchaser Order constitute the entire agreement between the parties relating to the subject matter of this Agreement. They supersede any other agreement between the parties relating to this

subject matter. If the terms of this Agreement and the Purchaser Order conflict with respect to any matter, the terms of this Agreement will prevail.

- (m) **Time is of the Essence.** The parties agree that time is the essence of this Agreement.
- (n) **Counterparts.** This Agreement may be executed in any number of counterparts and delivered by electronic transmission, and each such counterpart will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first written above.

PAKIT INC.

WITNESSED:

By: _____
 Name: _____
 Title: _____

By: _____
 Name: _____
 Title: _____

WITNESSED:

By: _____
 Name: _____
 Title: _____

[Signatures continued on next page]

**PACKAGING INTERNATIONAL
TECHNOLOGY SWEDEN AB**

WITNESSED:

By: _____
Name:
Title:

By: _____
Name:
Title:

WITNESSED:

By: _____
Name:
Title:

[Signatures continued on next page]

**PAKIT INTERNATIONAL TRADING
COMPANY INC.**

WITNESSED:

By: _____
Name:
Title:

By: _____
Name:
Title:

WITNESSED:

By: _____
Name:
Title:

[Signatures continued on next page]

 INC.

WITNESSED:

By: _____
Name:
Title:

By: _____
Name:
Title:

WITNESSED:

By: _____
Name:
Title:

SCHEDULE A

Pakit100 Description

Forming Unit (Serial No. 108000-003)

(located in Seller's facility at Kabelvagen 17, SE-60210 Norrköping, Sweden)

- Machine frame
- Ramp and fence
- Machined details
- Spray cleaning device
- Piping on machine
- Forming vat
- Electrical cabling
- Electrical components
- Electrical heaters
- Servomotors press
- Servomotors rotation
- Servomotors control
- Servo cabinet air-conditioning
- Control cabinets
- Valves and transmitters
- Pneumatics
- Vacuum unit (complete with starters, etc.)
- Pulp circulation unit
- Heater quick disconnects
- Crane

One set of documentation including operation & maintenance manuals, mechanical installation drawings, electrical schematics, flow pneumatic schematics and functional descriptions - all in English.

Tooling

(located in Seller's facility at Kabelvagen 17, SE-60210 Norrköping, Sweden)

- One complete set of porous sintered bronze tools (rated for 3 million presses) to fit above forming unit to produce [REDACTED] trays.

Microwave Dryer

(located in facility of [REDACTED])

- 24 magnetrons
- Adapter in/out
- Condenser unit
- Condensate discharge
- Mega drive

Stock Preparation System (Wet-End)

(located in facility of [REDACTED] or Purchaser's facility in [REDACTED])

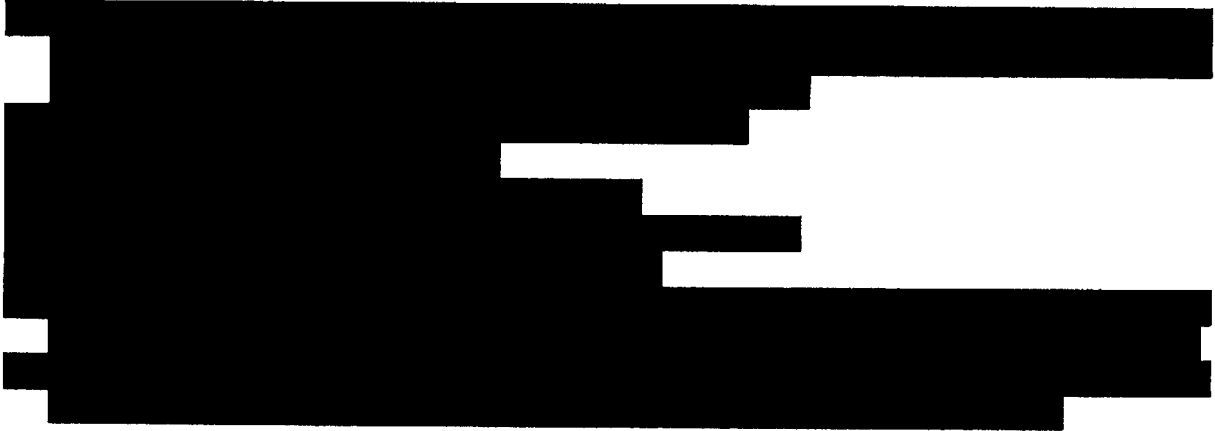
- Unit 1 – Pulp treatment unit including storage tank (Purchaser has assumed responsibility for purchase), piping and electrical equipment
- Unit 4 – Chemical feeders including dosing pumps with flow meters, piping and electrical equipment.
- Unit 5 – White water system including white water storage tank (Purchaser has assumed responsibility for purchase), distribution pumps, piping and electrical equipment.
- Unit 8 – Pulping system including pulper (Purchaser has assumed responsibility for purchase), pulper loading system (Purchaser has assumed responsibility for purchase), pulper platform (Purchaser has assumed responsibility for purchase), pumps, control valves, transmitters and valves, piping and electrical equipment.

Machine Installation commissioning, start-up and staff training

- 3 weeks for 4 service engineers working 5 days per week (Monday to Friday included). 8 standard work hours + 2 extra hours' maximum per day including travel time. Training will be conducted by two engineers to a group of maximum four Purchaser employees for a two week period. All accommodation/airfare/car rental will be charged at cost plus 10% administration cost.

SCHEDULE B**Payment of Purchase Price**

The Purchaser shall pay the Purchase Price to the Seller and third parties as follows:



All payments shall be made by way of certified cheque, bank draft or wire transfer as specified by the payee.

Any amounts paid to third parties in accordance with this schedule which are not needed by the third parties for the manufacture of the Pakit100 will be for the credit of Seller.

SCHEDULE C

To Be Supplied By Purchaser

Stock Preparation System (Wet-End)

- Tanks for Units 1, 5 and 8 (per Schedule A)
- Units 10 (Fresh Water Unit) and 11 (Sewage Unit)
- Deflaker
- Water softening system

Electrical

- Site capacities to match or exceed requirements as outlined in latest revision of Pakit connections list

Compressed air

- 7 bar @ 8m³/minute - oil free air
- Cooling dryer and vessel with valves
- Electrical control cabinet

Fresh water

- Water purifier and water storage tank (10 m³) with distribution pumps
- Piping & Electrical equipment

Cooling Water

- Cooling water system free of minerals etc.
- Temperature of the cooling water on the inlet side of the microwave at 18°C
- Minimum Flow of the water through each Microwave 1.75 litres per second
- Required dissipation capacity per Microwave 35 kW

Filter sewage water

- Filter and storage tank (15m³) with circulation pumps and dewatering press
- Piping & electrical equipment

SCHEDULE D

Exclusions

The following is a brief list of additional equipment, modifications to existing buildings, equipment and services that are not included in the scope of supply described in Schedule A of the Agreement that this Schedule D is attached to and forms a part of.

Equipment

- Field piping
- Field wiring
- Modification of existing walkways and maintenance platforms or other existing equipment in the area where Pakit machinery will be installed

Modifications

- Walkways
- Guarding
- Building
- Platforms

For more information detailed delivery limits listings are available on request.

APPENDIX "B1"

AMENDMENT AGREEMENT

THIS AGREEMENT ("**Agreement**") made as of November 21, 2011

BETWEEN:

PAKIT INC., a corporation existing under the laws of Canada (the "**Company**")

AND:

7078471 Canada Inc., the holder of certain convertible debentures of the Company (the "**Holder**")

WHEREAS:

- A. The Holder holds **\$50000** aggregate principal amount of convertible debentures of the Company (the "**Convertible Debentures**"); and
- B. The Company and the Holder desire to amend the terms of the Convertible Debentures to: (i) change the maturity date from May 30, 2011 to November 30, 2012, and (ii) amend Schedule A to include the \$5 million principal amount 12% Secured Convertible Debenture issued to Fairfax Financial Holdings Limited on September 29, 2009.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of \$10 paid by the Company to the Holder and the premises, covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- 1. **Amendment of Convertible Debentures.** The Company and the Holder hereby agree that immediately following receipt by the Company of an order from the British Columbia Supreme Court approving the terms of this Agreement, the terms and conditions of the Convertible Debentures will be amended to provide that:
 - (a) the Maturity Date (as defined in Section 1.1 of the Convertible Debentures) will be changed from May 30, 2011 to November 30, 2012; and
 - (b) Schedule A – Senior Indebtedness of the Convertible Debentures will be amended to include "\$5 million principal amount 12% Secured Convertible Debenture issued to Fairfax Financial Holdings Limited on September 29, 2009".

All other terms and conditions of the Convertible Debentures will remain in full force and effect.

- 2. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable therein.
- 3. **Execution.** This Agreement may be executed in counterparts, each of which shall be deemed an original and which, taken together, shall constitute one and the same instrument, and any executed counterpart may be delivered by facsimile or email transmission of a PDF document.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

PAKIT INC.



By: Daniel Byrne

Chief Financial Officer

If the Holder is not an individual:

HOLDER: 7078471 Canada Inc.

By: _____

Authorized Signatory

If the Holder is an individual:

SIGNED, SEALED AND DELIVERED)

in the presence of:)

Witness Signature)

Name (Please print))

7078471 Canada Inc.

APPENDIX "B2"

AMENDMENT AGREEMENT

THIS AGREEMENT ("**Agreement**") made as of November 21, 2011

BETWEEN:

PAKIT INC., a corporation existing under the laws of Canada (the "**Company**")

AND:

7078510 Canada Inc., the holder of certain convertible debentures of the Company (the "**Holder**")

WHEREAS:

- A. The Holder holds **\$50000** aggregate principal amount of convertible debentures of the Company (the "**Convertible Debentures**"); and
- B. The Company and the Holder desire to amend the terms of the Convertible Debentures to amend Schedule A to include the \$5 million principal amount 12% Secured Convertible Debenture issued to Fairfax Financial Holdings Limited on September 29, 2009.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of \$10 paid by the Company to the Holder and the premises, covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

- 1. **Amendment of Convertible Debentures.** The Company and the Holder hereby agree that immediately following receipt by the Company of an order from the British Columbia Supreme Court approving the terms of this Agreement, Schedule A – Senior Indebtedness of the Convertible Debentures will be amended to include "\$5 million principal amount 12% Secured Convertible Debenture issued to Fairfax Financial Holdings Limited on September 29, 2009". All other terms and conditions of the Convertible Debentures will remain in full force and effect.
- 2. **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable therein.
- 3. **Execution.** This Agreement may be executed in counterparts, each of which shall be deemed an original and which, taken together, shall constitute one and the same instrument, and any executed counterpart may be delivered by facsimile or email transmission of a PDF document.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

PAKIT INC.



By: Daniel Byrne

Chief Financial Officer

If the Holder is not an individual:

HOLDER: 7078510 Canada Inc.

By: _____
Authorized Signatory

If the Holder is an individual:

SIGNED, SEALED AND DELIVERED)

)

in the presence of:)

)

)

Witness Signature)

)

)

Name (Please print))

7078510 Canada Inc.