

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. 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.
3. 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.

4. Fairfax's debt is subordinated to a series of widely-held senior convertible debentures that are worth in the aggregate approximately \$3.6 million.

5. 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. Attached and marked are the following exhibits:

Exhibit "A": Email sent on June 3, 2011 to debenture holders requesting extension.

Exhibit "B": Example of a letter dated June 3, 2011 sent to debenture holders, enclosing election form and amending agreement.

Exhibit "C": Email sent on June 29, 2011 to debenture holders requesting extension.

Exhibit "D": Example of a letter dated June 29, 2011 sent to debenture holders, enclosing election form and amending agreement.

Exhibit "E": Example of a letter dated November 10, 2011 sent to debenture holders, enclosing election form and amending agreement.

Exhibit "F": Email sent on November 16, 2011 to debenture holders requesting subordination only.

Exhibit "G": Email sent on November 16, 2011 to debenture holders requesting extension and subordination.

Exhibit "H": Example of the amending agreement for debenture holders requesting extension and subordination.

Exhibit "I": Example of the amending agreement for debenture holders requesting subordination only (for those debenture holders who had already agreed to extend).

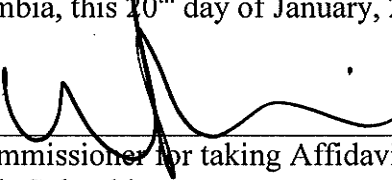
6. The Petitioner has agreed with Fairfax that it would not seek a further extension of the initial order herein, and would not oppose Fairfax's pending receivership application, unless Fairfax is paid in full on or before January 31, 2012.

7. The Petitioner has entered into an agreement to receive \$10 million by January 31, 2012 in exchange for shares.

8. 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.

9. 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.
10. 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. Attached and marked as **Exhibit "J"** to this my affidavit is a true copy of the agreement that has been negotiated - with certain commercially-sensitive information blacked out.
11. 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.

SWORN BEFORE ME at the City of
Vancouver, in the Province of British
Columbia, this 10th day of January, 2012.


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

From: Amie Kukkola
Bcc:

REDACTED

This is Exhibit "A" referred to in the
affidavit of D. YARETZ
made before me on this 20th
day of JANUARY, 2012

A Commissioner for taking
Affidavits in British Columbia

Subject: PAKIT Inc. (the "Company") – Notice of Maturity Date of Secured Convertible Debenture[s]
Date: Friday, June 03, 2011 2:29:21 PM
Attachments: image001.png
image002.png

Re: PAKIT Inc. (the "Company") –
Notice of Maturity Date of Secured Convertible Debenture[s]

Dear Debentureholder:

As you know, the Secured Convertible Debenture[s] of the Company issued to you matured May 30th, 2011. In connection with this maturity date, Pakit's Board of Directors respectfully requests that you review the updated terms of this extension. The amendments to the Debenture[s] are as follows:

- Extends the term of your debenture[s] so that it matures on May 30th, 2014;
- Adds a prepayment option, but retains the convertibility and a three month interest penalty clause;
- No extension of the warrant;
- Modify the conversion rate to set it equal to the lesser of:
- CAD \$0.60 per share, or
- The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and
- Add a section containing certain anti-dilution wording.

****Please note: This is a formal notice only- no action to this email is required.** The Election Form and Amendment Agreement are currently being finalized and will be emailed to each Debentureholder directly on Monday, June 6th, 2011.

If you have any questions regarding your Debenture[s], please contact Daniel Byrne, the Company's Chief Financial Officer, at 1-604-683-3200 or daniel.byrne@pakitinc.com.

Sincerely,



Daniel Byrne
Chief Financial Officer

pakit™

Amie Kukkola

Assistant Corporate Secretary & Manager of Shareholder Relations

Pakit Inc.

Part of the Pakit Group of Companies
1050 West Pender St., Suite 2250
Vancouver, BC
V6E 3S7
Canada

Direct: + 1 (604) 909 5116

Main: +1 (604) 683 3200

Fax: +1 (604) 683 3204

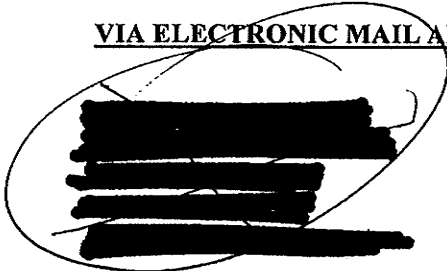
amie.kukkola@pakitinc.com

www.pakitinc.com

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VIA ELECTRONIC MAIL AND REGISTERED MAIL



June 3rd, 2011

**Re: PAKIT Inc. (the "Company") –
Notice of Maturity Date of Secured Convertible Debenture[s]**

Dear Debentureholder:

As you know, the Secured Convertible Debenture[s] of the Company issued to you, as set forth on Schedule A to the attached Election Form (the "Debenture[s]"), matured May 30th, 2011. In connection with this maturity date, Pakit's Board of Directors respectfully requests that you review the updated terms of this extension and complete the attached Election Form and Amendment Agreement at your earliest convenience. The amendments to the Debenture[s] are as follows:

- Extends the term of your debenture[s] so that it matures on May 30th, 2014;
- Adds a prepayment option, but retains the convertibility and a three month interest penalty clause;
- No extension of the warrant;
- Modify the conversion rate to set it equal to the lesser of:
 - CAD \$0.60 per share, or
 - The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and
- Add a section containing certain anti-dilution wording.

Please complete the attached Election Form and Amendment Agreement and return it to the Company as quickly as possible in accordance with the instructions provided.

If you have any questions regarding your Debenture[s], please contact Daniel Byrne, the Company's Chief Financial Officer, at 1-604-683-3200 or daniel.byrne@pakitinc.com.

Sincerely,

Daniel Byrne
Chief Financial Officer

This is Exhibit " B " referred to in the
affidavit of D. YARETZ
made before me on this 20TH
day of JANUARY, 2012

A Commissioner for taking
Affidavits in British Columbia

PAKIT INC.
ELECTION FORM

To: PAKIT Inc. (the "Company")

Re: Settlement of Secured Convertible Debenture[s] at Maturity


The Undersigned holder of the Secured Convertible Debenture[s] of the Company, as set forth on Schedule A hereto (the "Debenture[s]"), hereby directs the Company to:

1. **Extend the Debenture[s]** ☐ (check box)

OR

2. **Repay the Debenture[s] in cash at maturity** ☐ (check box)

Date: _____, 2011




SIGNATURE

Instructions: Please complete this Election Form by selecting only one of options 1 or 2 above. Election Forms must be dated and signed by or on behalf of the registered debentureholder and should be delivered to the Company using any of the following methods:

- **By facsimile:** completed forms can be faxed to 1-604-683-3204, Attention: Daniel Byrne, Chief Financial Officer
- **By e-mail:** scanned versions of completed forms may be e-mailed to daniel.byrne@pakitinc.com
- **By courier:** completed forms can be couriered to PAKIT Inc., 1050 West Pender Street, Suite 2250, Vancouver, British Columbia V6E 3S7 CANADA, Attention: Daniel Byrne, Chief Financial Officer

SCHEDULE A

Registered Debentureholder[s]	Principal Amount[s]
	<u>50000</u>

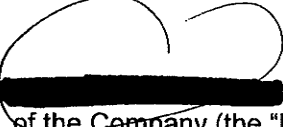
AMENDMENT AGREEMENT

THIS AGREEMENT (this "**Agreement**") made as of May 30th, 2011

BETWEEN:

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

AND:

, the undersigned holder of certain convertible debentures of the Company (the "**Holder**")

WHEREAS:

- A. The Holder holds **\$50000** aggregate principal amount (the "**Principal Sum**") of convertible debentures of the Company having a maturity date of May 30th, 2011 (the "**Convertible Debentures**"); and
- B. The Company and the Holder desire to amend certain terms of the Convertible Debentures.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree as follows:

1. **Amendment of Convertible Debentures.** The Company and the Holder hereby agree that the terms and conditions of the Convertible Debentures are hereby amended to provide that:

- (a) The Maturity Date (as defined in the Convertible Debentures) shall be changed from May 30th, 2011 to May 30th, 2014;

- (b) Section 1.6 is added to the Convertible Debenture with the following wording:

"Section 1.6 – Prepayment Option. The Corporation can, at its option, prepay the whole amount of the Convertible Debenture at any time prior to the Maturity Date provided:

- the Holder is first given the right to convert the Convertible Debenture into Common Shares at the Conversion Price, and
 - The Corporation shall pay a three month interest penalty to the Holder should the Holder not convert the Convertible Debenture into Common Shares;
- (c) Article 2 shall be replaced in its entirety with the wording "This Article 2 is purposely left blank";
 - (d) The Conversion Price (as defined in the Convertible Debentures) shall be changed to set it equal to the lesser of:
 - (i) CAD \$0.60 per Common Share, or

- (ii) The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and

(e) Section 3.3 is added to the Convertible Debenture with the following wording:

"Section 3.3 - Adjustment of Conversion Price. The Conversion Price shall be subject to adjustment from time to time as follows:

- a) If on or after the date of this debenture, and whatever the Corporation shall: (i) subdivide or redivide the outstanding Common Shares into regular number of shares; (ii) reduce, combine or consolidate the outstanding Common Shares into smaller number of shares; or (iii) issue any Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of stock dividend (other than any stock dividends constituting dividends paid in the ordinary course) the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of stock dividend, as the case may be, shall be decreased, in the case of the events referred to in (i) and (iii) above, in the proportion in which the number of Common Shares outstanding before such subdivision, redivision, or dividend bears to the number of Common Shares outstanding after such subdivision, redivision or dividend, and shall be increased, in the case of the events referred to in (ii) above, in the proportion in which the number of Common Shares outstanding before such reduction, combination or consolidation bears to the number of Common Shares outstanding after such reduction combination or consolidation. Any such of Common Shares by way of stock dividend shall be deemed to have been made on the record date fixed for such stock dividend for the purpose of calculating the number of outstanding Common Shares under this paragraph.
- b) After any adjustment pursuant to this section 3.5, the term "Common Shares" where used in this debenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 3.5, the Holder is entitled to receive upon the conversion of this Debenture, and the number of Common Shares indicated by any conversion shall be interpreted to mean the number of Common Shares or other property or securities the Holder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this section. The Corporation shall, promptly after each adjustment made hereunder, provide the Holder with a certificate providing the relevant facts and calculations. If any questions shall at any time arise with respect to any adjustments to be made hereunder, such questions shall be conclusively determined (at the sole cost of the Corporation) by an independent firm of Chartered Accountants appointed by the Corporation and the Holder, acting reasonably, who shall have access to all appropriate records, and such determination shall be binding upon the Corporation and the Holder.
- c) No adjustment to the Conversion Price shall be triggered pursuant to this Section 3.5 by the issuance of ordinary course stock options or share-based compensation to directors,

officers, employees or other service providers when issued pursuant to the Corporation's existing compensation plans, to a maximum of 15% of the Corporation's issued and outstanding Common Shares on a fully diluted basis at such time."

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.

[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

HOLDER: 

By: 

Authorized Signatory

From: Amie Kukkola
To: [REDACTED]
Subject: PAKIT Inc. (the "Company") - Notice of Maturity Date of Secured Convertible Debenture[s]
Date: Wednesday, June 29, 2011 11:59:03 AM
Attachments: [REDACTED]

Dear Debentureholder:

As you know, the Secured Convertible Debenture[s] of the Company issued to you, as set forth on Schedule A to the attached Election Form (the "Debenture[s]"), matured May 30th, 2011. You have since that date delivered a Notice of Default and/or a Notice of Intent to Enforce Security and/or a Forbearance Agreement. In connection with the Convertible Debenture[s] and aforementioned notices and agreements, Pakit's Board of Directors respectfully requests that you review the updated terms of this extension, and complete the attached Election Form and Amendment Agreement at your earliest convenience. The amendments to the Debenture[s] are as follows:

- Extends the term of your debenture[s] so that it matures on May 30th, 2014;
- Adds a prepayment option, but retains the convertibility and a three month interest penalty clause;
- No extension of the warrant;
- Reduce the conversion rate from CAD \$1.00 per share to set it equal to the lesser of:
 - CAD \$0.60 per share, or
 - The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and
- Add a section containing certain anti-dilution wording.

Please complete the attached Election Form and Amendment Agreement and return it to the Company no later than June 30th, 2011 at 11:00 AM PDT in accordance with the instructions provided.

If you have any questions regarding your Debenture[s], please contact Daniel Byrne, the Company's Chief Financial Officer, at 1-604-683-3200 or daniel.byrne@pakitinc.com.

Sincerely,



Daniel Byrne
Chief Financial Officer

pakit™

Amie Kukkola
Assistant Corporate Secretary & Manager of Shareholder Relations

This is Exhibit "C" referred to in the
 affidavit of D. YARETZ
 made before me on this 20th
 day of JANUARY, 2012


 A Commissioner for taking
 Affidavits in British Columbia

Pakit Inc.

Part of the Pakit Group of Companies
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Vancouver, BC
V6E 3S7
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amie.kukkola@pakitinc.com

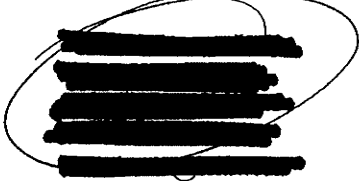
www.pakitinc.com

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pakit™

VIA ELECTRONIC MAIL



June 29th, 2011

**Re: PAKIT Inc. (the "Company") –
Notice of Maturity Date of Secured Convertible Debenture[s]**

Dear Debentureholder:

As you know, the Secured Convertible Debenture[s] of the Company issued to you, as set forth on Schedule A to the attached Election Form (the "Debenture[s]"), matured May 30th, 2011. You have since that date delivered a Notice of Default and/or a Notice of Intent to Enforce Security and/or a Forbearance Agreement. In connection with the Convertible Debenture[s] and aforementioned notices and agreements, Pakit's Board of Directors respectfully requests that you review the updated terms of this extension, and complete the attached Election Form and Amendment Agreement at your earliest convenience. The amendments to the Debenture[s] are as follows:

- Extends the term of your debenture[s] so that it matures on May 30th, 2014;
- Adds a prepayment option, but retains the convertibility and a three month interest penalty clause;
- No extension of the warrant;
- Reduce the conversion rate from CAD \$1.00 per share to set it equal to the lesser of:
 - CAD \$0.60 per share, or
 - The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and
- Add a section containing certain anti-dilution wording.

Please complete the attached Election Form and Amendment Agreement and return it to the Company no later than June 30th, 2011 at 11:00 AM PDT in accordance with the instructions provided.

If you have any questions regarding your Debenture[s], please contact Daniel Byrne, the Company's Chief Financial Officer, at 1-604-683-3200 or daniel.byrne@pakitinc.com.

Sincerely,

Daniel Byrne
Chief Financial Officer

This is Exhibit "D" referred to in the
affidavit of D. YARETZ
made before me on this 20th
day of January, 2012
A Commissioner for taking
Affidavits in British Columbia

PAKIT INC.

ELECTION FORM

To: PAKIT Inc. (the "Company")

Re: Settlement of Secured Convertible Debenture[s]

The Undersigned holder of the Secured Convertible Debenture[s] of the Company, as set forth on Schedule A hereto (the "Debenture[s]"), hereby directs the Company to:

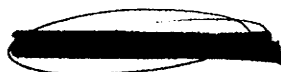
Extend the Debenture[s]



(check box and sign and attach Amendment Agreement)

And hereby agrees that this Election Form supersedes all of the Notice of Default and/or Notice of Intent to Enforce Security and/or the Forbearance Agreement previously delivered to the Company by the Debentureholder. By signing this Election Form the Debentureholder acknowledges they are waiving the aforementioned notices and agreements and that those notices and agreements are of no further force and effect.

Date: _____, 2011

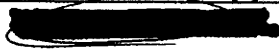


SIGNATURE

Instructions: Please complete this Election Form, which must be dated and signed by or on behalf of the registered Debentureholder and should be delivered to the Company using any of the following methods:

- **By facsimile:** completed forms can be faxed to 1-604-683-3204, Attention: Daniel Byrne, Chief Financial Officer
- **By e-mail:** scanned versions of completed forms may be e-mailed to daniel.byrne@pakitinc.com
- **By courier:** completed forms can be couriered to Pakit Inc., 1050 West Pender Street, Suite 2250, Vancouver, British Columbia V6E 3S7 CANADA, Attention: Daniel Byrne, Chief Financial Officer

SCHEDULE A

Registered Debentureholder[s]	Principal Amount[s]
	<u>100000</u>


AMENDMENT AGREEMENT

THIS AGREEMENT (this "**Agreement**") made as of May 30th, 2011

BETWEEN:

Pakit Inc., a corporation existing under the laws of Canada (the "**Company**")

AND:

 the undersigned holder of certain convertible debentures of the Company (the "**Holder**")

WHEREAS:

- A. The Holder holds **\$100000** aggregate principal amount (the "**Principal Sum**") of convertible debentures of the Company having a maturity date of May 30th, 2011 (the "**Convertible Debentures**"); and
- B. The Company and the Holder desire to amend certain terms of the Convertible Debentures.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged, the parties hereto agree as follows:

1. **Amendment of Convertible Debentures.** The Company and the Holder hereby agree that the terms and conditions of the Convertible Debentures are hereby amended to provide that:
 - (a) The Maturity Date (as defined in the Convertible Debentures) shall be changed from May 30th, 2011 to May 30th, 2014;
 - (b) Section 1.6 is added to the Convertible Debenture with the following wording:

"Section 1.6 – Prepayment Option. The Corporation can, at its option, prepay the whole amount of the Convertible Debenture at any time prior to the Maturity Date provided:

 - the Holder is first given the right to convert the Convertible Debenture into Common Shares at the Conversion Price, and
 - The Corporation shall pay a three month interest penalty to the Holder should the Holder not convert the Convertible Debenture into Common Shares;
 - (c) Article 2 shall be replaced in its entirety with the wording "This Article 2 is purposely left blank";
 - (d) The Conversion Price (as defined in the Convertible Debentures) shall be changed to set it equal to the lesser of:
 - (i) CAD \$0.60 per Common Share, or

- (ii) The lowest price per share on any shares (or securities convertible into shares) issued after May 27th, 2011 (excluding agreements already in place for securities that have not yet been issued) up until the Company lists its shares on a public stock exchange; and

(e) Section 3.3 is added to the Convertible Debenture with the following wording:

"Section 3.3 - Adjustment of Conversion Price. The Conversion Price shall be subject to adjustment from time to time as follows:

- a) If on or after the date of this debenture, and whatever the Corporation shall: (i) subdivide or redivide the outstanding Common Shares into regular number of shares; (ii) reduce, combine or consolidate the outstanding Common Shares into smaller number of shares; or (iii) issue any Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of stock dividend (other than any stock dividends constituting dividends paid in the ordinary course) the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of stock dividend, as the case may be, shall be decreased, in the case of the events referred to in (i) and (iii) above, in the proportion in which the number of Common Shares outstanding before such subdivision, redivision, or dividend bears to the number of Common Shares outstanding after such subdivision, redivision or dividend, and shall be increased, in the case of the events referred to in (ii) above, in the proportion in which the number of Common Shares outstanding before such reduction, combination or consolidation bears to the number of Common Shares outstanding after such reduction combination or consolidation. Any such of Common Shares by way of stock dividend shall be deemed to have been made on the record date fixed for such stock dividend for the purpose of calculating the number of outstanding Common Shares under this paragraph.
- b) After any adjustment pursuant to this section 3.3, the term "Common Shares" where used in this debenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 3.3, the Holder is entitled to receive upon the conversion of this Debenture, and the number of Common Shares indicated by any conversion shall be interpreted to mean the number of Common Shares or other property or securities the Holder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this section. The Corporation shall, promptly after each adjustment made hereunder, provide the Holder with a certificate providing the relevant facts and calculations. If any questions shall at any time arise with respect to any adjustments to be made hereunder, such questions shall be conclusively determined (at the sole cost of the Corporation) by an independent firm of Chartered Accountants appointed by the Corporation and the Holder, acting reasonably, who shall have access to all appropriate records, and such determination shall be binding upon the Corporation and the Holder.
- c) No adjustment to the Conversion Price shall be triggered pursuant to this Section 3.3 by the issuance of ordinary course stock options or share-based compensation to directors,

officers, employees or other service providers when issued pursuant to the Corporation's existing compensation plans, to a maximum of 15% of the Corporation's issued and outstanding Common Shares on a fully diluted basis at such time."

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.

[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

HOLDER: 

By: _____
Authorized Signatory

pakit

VIA ELECTRONIC MAIL

[REDACTED]

November 10, 2011

Re: PAKIT Inc. (the "Company") – Amendment of Secured Convertible Debentures

Dear Debentureholder:

As you may be aware, the Company is currently undergoing a financial restructuring under the *Companies' Creditors Arrangements Act*. This restructuring is critical to ensuring the long-term success of the Company as a going concern. As part of the restructuring, the Company has agreed to pay \$5 million to Fairfax Financial Holdings Ltd. ("Fairfax") to settle the 12% debenture issued to Fairfax on September 29, 2009 (the "Fairfax Debt"). The Board of Directors believes that it is in the best interests of the Company to settle the Fairfax Debt so that the Company can emerge from its restructuring in a more stable financial position.

As the holder of \$50000 principal amount 12% Secured Convertible Debentures of the Company (the "Debentures"), we request your agreement to: (i) amend the terms of your Debentures to include the Fairfax Debt in the definition of "Senior Indebtedness" so that the Company is permitted to pay the \$5 million that it has agreed to pay to Fairfax to settle the Fairfax Debt prior to paying the amounts owed to you under the Debentures, and (ii) extend the maturity date of your Debentures from May 30, 2011 to November 30, 2012.

You have the option to either: (i) agree to the amendments to your Debentures described in the preceding paragraph, or (ii) elect to be paid out the amount owed to you under your Debentures.

Please complete the attached Election Form and return it to the Company no later than November 21, 2011 in accordance with the instructions provided.


If you have any questions regarding your Debentures, please contact Daniel Byrne, the Company's Chief Financial Officer, at 1-604-683-3200 or daniel.byrne@pakitinc.com.

Sincerely,

PAKIT Inc.

By:


Daniel Byrne
Chief Financial Officer

This is Exhibit "E" referred to in the
affidavit of D. YARETZ
made before me on this 20th
day of JANUARY, 2012

A Commissioner for taking
Affidavits in British Columbia

PAKIT INC.

ELECTION FORM

To: PAKIT Inc. (the "Company")

Re: Secured Convertible Debentures

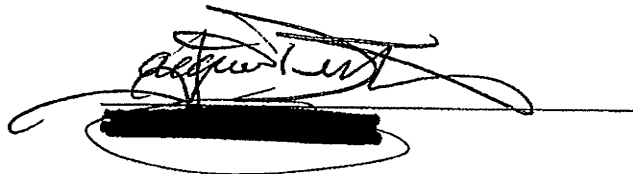
The undersigned holder of \$50000 principal amount 12% Secured Convertible Debentures of the Company (the "Debentures"), hereby:

1. Agrees to amend the terms of such Debentures in accordance with the enclosed Amendment Agreement. [Note: you must also sign ☐ (check box) the attached Amendment Agreement.]

OR

2. Requests repayment of the Debentures ☒ (check box)

Date: NOVEMBER 15TH, 2011



Instructions: Please complete this Election Form by selecting only one of options 1 or 2 above. Election Forms must be dated and signed by the registered debentureholder or an authorized representative of the registered debentureholder and should be delivered to the Company no later than November 21, 2011 using any of the following methods:

- **By facsimile:** completed forms can be faxed to (604) 683-3204, Attention: Daniel Byrne, Chief Financial Officer
- **By e-mail:** scanned versions of completed forms may be e-mailed to daniel.byrne@pakitinc.com
- **By courier:** completed forms can be couriered to PAKIT Inc., 1050 West Pender Street, Suite 2250, Vancouver, British Columbia, V6E 3S7 Canada, Attention: Daniel Byrne, Chief Financial Officer

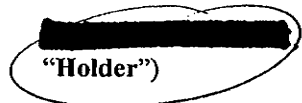
AMENDMENT AGREEMENT

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

BETWEEN:

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

AND:

 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 the terms and conditions of the Convertible Debentures are hereby amended to provide that:
 - (a) the Maturity Date (as defined in Section 1.1 of the Convertible Debentures) shall be changed from May 30, 2011 to November 30, 2012; and
 - (b) Schedule A – Senior Indebtedness of the Convertible Debentures shall be amended to include "\$5 million principal amount 12% Secured Convertible Debenture issued to Fairfax Financial Holdings Limited on September 29, 2009".
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:



By:

Authorized Signatory

If the Holder is an individual:

SIGNED, SEALED AND DELIVERED

in the presence of:

Witness Signature

Name (Please print)



From: Amie Kukkola
To: [REDACTED]
Subject: Pakit Inc. - Secured Convertible Debenture
Date: Wednesday, November 16, 2011 3:59:06 PM
Attachments: [REDACTED]

Dear Debenture Holder:

We wish to clarify that within the CCAA process the Court must approve any payments to debenture holders. As a result, we ask that you disregard the letter and agreement that was sent to you last week on November 10, 2011. We have attached an updated agreement for your review and approval.

We want you to know that the terms of the amending agreements you signed in June 2011 remain in effect. It would assist Pakit for you to confirm your acceptance of this new agreement. It classifies the Fairfax debenture as senior debt, which allows Pakit to pay it out before the end of January 2012 along with the debentures of those who do not make this election. Such payments are, of course, contingent on sufficient funds being raised to pay them.

Please note that accrued interest on all debentures, as well as certain expenses pursuant to the terms of the debentures, will also be paid.

Further information about this is set out in the attached shareholder update. Contact me if you have any questions or concerns about your debenture.

Sincerely,



Daniel Byrne
 Chief Financial Officer

pakit™

Amie Kukkola
 Assistant Corporate Secretary & Manager of Shareholder Relations

Pakit Inc.
 Part of the Pakit Group of Companies
 1050 West Pender St., Suite 2250
 Vancouver, BC
 V6E 3S7
 Canada

Direct: +1 (604) 909 5116
 Main: +1 (604) 683 3200
 Fax: +1 (604) 683 3204

amie.kukkola@pakitinc.com
www.pakitinc.com

This is Exhibit ".....F....." referred to in the
 affidavit of D. YARETZ
 made before me on this 20th
 day of JANUARY, 2012


 A Commissioner for taking
 Affidavits in British Columbia

From: Amie Kukkola
To: [REDACTED]
Subject: Pakit Inc.- Secured Convertible Debenture
Date: Wednesday, November 16, 2011 4:12:38 PM
Attachments: [REDACTED]

Dear Debenture Holder:

We wish to clarify that within the CCAA process the Court must approve any payments to debenture holders. As a result, we ask that you disregard the letter and agreement that was sent to you last week on November 10, 2011. We have attached an updated agreement for your review and approval.

It would assist Pakit greatly for you to confirm your acceptance of this agreement, which proposes to extend and subordinate your debenture, because it will reduce the amount that Pakit must raise in the near term in order to refinance and emerge successfully from CCAA protection.

The agreement sets the new maturity date of your debenture to November 30, 2012 and classifies the Fairfax debenture as senior debt, which allows Pakit to pay it out before the end of January 2012 along with the debentures of those who do not make this election. Such payments are, of course, contingent on sufficient funds being raised to pay them.

Please note that accrued interest on all debentures, as well as certain expenses pursuant to the terms of the debentures, will also be paid.

Further information about this is set out in the attached shareholder update. Contact me if you have any questions or concerns about your debenture.

Daniel Byrne
 Chief Financial Officer

pakit™

Amie Kukkola
 Assistant Corporate Secretary & Manager of Shareholder Relations

Pakit Inc.
 Part of the Pakit Group of Companies
 1050 West Pender St., Suite 2250
 Vancouver, BC
 V6E 3S7
 Canada

Direct: +1 (604) 909 5116
 Main: +1 (604) 683 3200
 Fax: +1 (604) 683 3204

amie.kukkola@pakitinc.com
www.pakitinc.com

This is Exhibit "G" referred to in the
 affidavit of D. YARETZ
 made before me on this 20th
 day of JANUARY, 2012

A Commissioner for taking
 Affidavits in British Columbia

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:

[REDACTED] 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.

This is Exhibit "H" referred to in the
affidavit of D. YARETZ
made before me on this 20th
day of JANUARY, 2012


A Commissioner for taking
Affidavits in British Columbia

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: 

By: _____
Authorized Signatory


If the Holder is an individual:

SIGNED, SEALED AND DELIVERED)

in the presence of:)

Witness Signature)

Name (Please print))



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:

[REDACTED] 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]

This is Exhibit "I" referred to in the
affidavit of D. YARETZ
made before me on this 20TH
day of JANUARY, 2012

.....
A Commissioner for taking
Affidavits in British Columbia

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: [REDACTED]

By: _____
Authorized Signatory

If the Holder is an individual:

SIGNED, SEALED AND DELIVERED)

in the presence of:)

Witness Signature)

Name (Please print))

[REDACTED]

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])

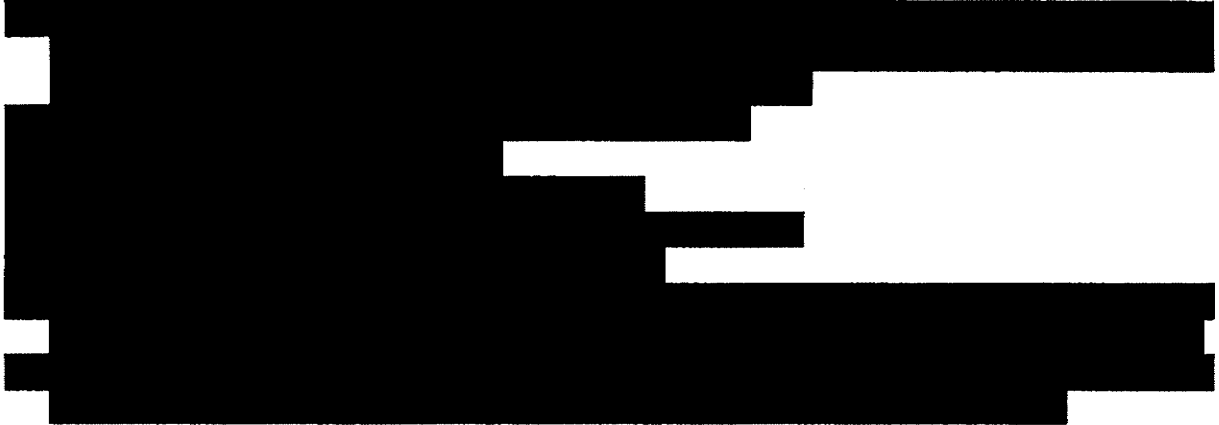
- Unit 1 – Pulp treatment unit including storage tank (Purchaser has assumed responsibility for purchase), piping and electrical equipment
- Unit 4 – Chemical feeders including dosing pumps with flow meters, piping and electrical equipment.
- Unit 5 – White water system including white water storage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