

This is the 2nd affidavit of
Andrew Cole in this case and
was made on December 3, 2024



NO. S-248103
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

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FELIX PAYMENT SYSTEMS LTD.

PETITIONER

A F F I D A V I T

I, **Andrew Cole**, business person, of 1400-355 Burrard Street, Vancouver, British Columbia,
SWEAR THAT:

I. INTRODUCTION

1. In October 2024, I was appointed and remain the Chief Executive Officer of Felix Payment Systems Ltd. ("**Felix**"). Prior to that, I was the Chief Financial Officer of Felix from mid-2021 to October 2024. I have been involved in the restructuring efforts of Felix to date. Where necessary, I have also reviewed the books and records maintained by Felix in the ordinary course of business. As such, I have personal knowledge of the matters described in this affidavit, except where I say that my knowledge is based on information from others, in which case, I believe the same to be true.

2. This affidavit is made in support of Felix's notice of application, dated December 3, 2024 (the "**Application**"), seeking the following:

- (a) an amended and restated initial order (the "**ARIO**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, as amended (the "**CCAA**") for, among other things:

- (i) abridging the time for and validating the service of the Application and supporting materials and dispensing with further service thereof;
 - (ii) approving an extension of the Stay Period (as defined below) to February 28, 2025;
 - (iii) approving Felix's ability to borrow up to a principal amount of \$2,350,000 under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Facility**"), to finance Felix's critically required operating expenses and other general corporate purposes, post-filing expenses, and costs in accordance with the Revised Cash Flow Forecast (as defined below);
 - (iv) increasing the quantum of the Administrative Charge (defined below) up to a maximum amount of \$250,000;
 - (v) approving Felix's proposed key employee retention plan (the "**KERP**") and granting a related charge (the "**KERP Charge**") up to the maximum amount of CAD\$95,000 and subordinate to the Charges (as defined in Initial Order of Justice Masuhara, made November 25, 2024 (the "**Initial Order**")); and
- (b) a Stalking Horse and SISP approval order (the "**Stalking Horse and SISP Approval Order**"):
 - (i) authorizing and approving Felix's execution of an agreement of purchase and sale (the "**Stalking Horse Subscription Agreement**") among Felix and the First Lien Lenders (defined below, in its capacity as the purchaser under the Stalking Horse Subscription Agreement, the "**Stalking Horse Purchaser**") dated December 3, 2024, including the Expense Reimbursement (as defined below)
 - (ii) approving a sales and investment solicitation process (the "**SISP**") in which the Stalking Horse Subscription Agreement will serve as the "**Stalking Horse Bid**", and authorizing Felix and the Monitor to implement the SISP pursuant to its terms;

- (iii) authorizing and directing Felix and the Monitor to perform their respective obligations and do all things reasonably necessary to perform their obligations under the SISP; and
- (c) an order (the “**Sealing Order**”) sealing Confidential Affidavit #3 of Andrew Cole, sworn December 3, 2024 (the “**Confidential Cole Affidavit**”).

3. Capitalized terms used herein and not otherwise defined have the meanings given to them in my first affidavit, sworn November 21, 2024 (my “**First Affidavit**”), adjusted as the context may require.

II. BACKGROUND AND STATUS OF THE CCAA PROCEEDING

4. Felix is a privately-held financial technology company based in Vancouver, British Columbia specializing in cloud-based payment acceptance infrastructure and associated software systems. On October 15, 2024, Felix filed a notice of intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act*, R.S.C., 1985 c. B-3, which commenced the NOI proceeding (the “**NOI Proceeding**”). Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed to act as the proposal trustee (in such capacity, the “**Proposal Trustee**”). On November 12, 2024, this Court (sitting in bankruptcy and insolvency) granted Felix an extension of time to file a proposal to December 30, 2024.

5. As detailed in my First Affidavit, Felix’s primary secured creditors can be categorized in two groups: (i) the first lien lenders—Mr. Jake Boxer and Mr. Douglas Mordy and their associated entities, which include Brookridge Chartered Professional Accounts Inc. (since renamed PEL Chartered Professional Accountants Inc.), the Mordy Trust, Candice Rose Mordy, Ralph McFee, Kapil Nanalal, and Section 3 Ventures (VCC) Inc. (collectively, the “**First Lien Lenders**”); and (ii) the second lien lenders—Mr. Steve Hall and his associated entities, which include SR Hall Management LLC, BBSG Hall Investments, LLC, Ripcord Capital LLC, and DapIt NA, LLC.

6. On November 25, 2024, the Honourable Justice Masuhara granted the Initial Order in respect of Felix under the CCAA. Among other things, the Initial Order:

- (a) established a stay of proceedings against Felix for an initial period of ten (10) days (the “**Stay Period**”). The Stay Period was extended up to and including December 6, 2024;

- (b) granted Felix a continuation of the NOI Proceeding as a proceeding under the CCAA (the “**CCAA Proceeding**”);
- (c) appointed A&M as an officer of the Court to monitor the assets, business, and financial affairs of Felix (in such capacity, the “**Monitor**”);
- (d) approved Felix’s ability to borrow under the DIP Facility, to finance Felix’s critically required operating expenses and other general corporate purposes, post-filing expenses, and costs over the Stay Period but limiting such advances to \$400,000 during the Stay Period;
- (e) granting the Administration Charge, the Directors’ Charge, and the DIP Lender’s Charge (each as defined in my First Affidavit) in the following priorities:
 - (i) First – the Administration Charge in favour of the Monitor, counsel to the Monitor, and counsel to Felix up to a maximum of \$150,000;
 - (ii) Second – the DIP Lender’s Charge in favour of the DIP Lender; and
 - (iii) Third – the Directors’ Charge in favour of the directors and officers of Felix up to a maximum of \$150,000.

7. As previewed in my First Affidavit, following continued negotiations with the First Lien Lenders and in consultation with the Monitor, Felix now seeks the ARIO and the Stalking Horse and SISP Approval Order to advance the purposes of the CCAA Proceeding and facilitate Felix’s restructuring efforts.

III. THE STALKING HORSE AND SISP APPROVAL ORDER

8. Felix seeks the Stalking Horse and SISP Approval Order to pursue a going concern transaction for the benefit of its stakeholders. This order has two key aspects: (i) it authorizes and approves the execution of the Stalking Horse Subscription Agreement by Felix; and (ii) it approves the SISP in which the Stalking Horse Subscription Agreement will serve as the Stalking Horse Bid.

a. **Stalking Horse Subscription Agreement**

9. The Stalking Horse Subscription Agreement between Felix and the Stalking Horse Purchaser (i.e., First Lien Lenders) will serve as the basis for the Stalking Horse Bid in the SISP. A copy of the Stalking Horse Subscription Agreement is attached hereto as **Exhibit "A"**.

10. I believe that utilizing a stalking horse is of benefit to Felix because, among other things, it assures Felix's many stakeholders – including its employees, customers and Critical Suppliers (as defined in my First Affidavit) – that there will be a going-concern outcome for Felix's business. As noted in my First Affidavit, Felix's value is as a going concern, and a liquidation would not realise the same value. In addition, the use of the Stalking Horse Subscription Agreement allows for a streamlined SISP that will efficiently canvas the market while balancing Felix's lack of liquidity.

11. The Stalking Horse Subscription Agreement is the product of significant efforts and negotiations among the Stalking Horse Purchaser and Felix, in consultation with the Monitor.

12. The Stalking Horse Subscription Agreement is contemplated to be structured as a reverse vesting transaction whereby the Stalking Horse Purchaser will acquire shares to be issued by Felix (the **"Purchased Shares"**) pursuant to an order to be granted by the Court (the **"Approval and Vesting Order"**). The Stalking Horse Subscription Agreement contemplates that, in the event the Stalking Horse Bid is determined to be the **"Successful Bid"** pursuant to the SISP, the Approval and Vesting Order will, among other things:

- (a) approve the transaction contemplated by the Stalking Horse Subscription Agreement;
- (b) vest out of Felix certain excluded assets, excluded contracts and excluded liabilities, which shall be vested into a new subsidiary of Felix to be incorporated (**"ResidualCo"**);
- (c) authorize and direct Felix to file the Articles of Reorganization (as defined in the Stalking Horse Subscription Agreement);
- (d) terminate and cancel all Existing Shares (as defined in the Stalking Horse Subscription Agreement) as well any agreement, contract, plan, indenture, deed, certificate, subscription right, conversion right, pre-emptive right, option, or other

document or instrument governing and/or having been created or granted in connection with the share capital of Felix, if any (other than the rights of the Stalking Horse Purchaser under the Stalking Horse Agreement), for no consideration; and

- (e) authorize and direct Felix to issue the Purchased Shares, and vest in the Stalking Horse Purchaser the Purchased Shares, free and clear from any Encumbrances, except Permitted Encumbrances (each as defined in the Stalking Horse Subscription Agreement).

13. The significant terms of the Stalking Horse Subscription Agreement include, among other things:

1.1 "Administrative Wind-down Amount"	" Administrative Wind-down Amount " means cash in the amount of \$50,000 to be used to satisfy the costs incurred by the Monitor and its professional advisors to administer ResidualCo, the Company, and the Excluded Assets and Excluded Liabilities, and to wind-down and/or dissolve and/or bankrupt ResidualCo.
1.1 "Assumed Liabilities"	" Assumed Liabilities " means: (a) Liabilities specifically and expressly designated by the Purchaser as Assumed Liabilities in Schedule "E" to the Stalking Horse Subscription Agreement, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearing, provided that consent of the Company and the Monitor is required for the removal of any Assumed Liabilities in accordance with the terms hereof; (b) all obligations existing under or in connection with the DIP Lender's Charge; (c) all obligations existing under or in connection with the First Lien Charge; (d) all Liabilities which relate to the Permits and Licenses and the Business under any Assumed Contracts, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.
2.1 Purchase and Sale of the Purchased Shares	Subject to the terms and conditions of the Stalking Horse Subscription Agreement, at the Closing Time, Felix will issue to the Purchase, and the Purchaser shall subscribe for that number of shares in the share capital of Felix from treasury, to be specified by the Purchaser at least two (2) Business Days prior to the Approval and Vesting Order Hearings, which shares shall be free and clear of all Encumbrances.
3.1 Purchase Price	The total aggregate consideration payable by the Purchaser for the Purchased Shares shall be equal to the following:(a) all amounts outstanding and obligations payable by Felix under or in connection with the DIP Term Sheet and secured by the DIP Lender's Charge,

	<p>including principal, interest and fees accrued up to and including the Closing Date, which indebtedness shall be assumed by the Purchaser at Closing; plus (b) all amounts outstanding and obligations payable by Felix under or in connection with the First Lien Loan Documents and secured by the First Lien Charge, including principal, interest and fees accrued up to and including the Closing Date, which indebtedness shall be assumed by the Purchaser at Closing; plus (c) the value of all other Assumed Liabilities, if any, to be satisfied by the Purchaser performing and/or discharging such Assumed Liabilities as and when they become due; plus (d) the value of the Closing Payment, to be paid by the Purchaser in accordance with Section 3.2 of the Stalking Horse Subscription Agreement.</p>
3.2 Closing Payment	<p>At Closing, the Purchaser shall pay to the Monitor an amount equal to the sum of: (i) the Priority Payments; (ii) the CCAA Charge Amount; and (iii) the Administrative Wind-down Amount (collectively the "Closing Payment"), provided, however, that such amount shall not exceed \$500,000. The Monitor shall hold the Closing Payment in trust for the benefit of Persons entitled to be paid from the Closing Payment.</p>
9.1 – Conditions – All Parties	<p>The obligation of the Parties to complete the Transaction is subject to the following conditions being satisfied on or prior to the Closing Date:</p> <ul style="list-style-type: none">(a) <u>Final Orders</u>. Each of the SISP Order and the Approval and Vesting Order shall have been issued and entered by the Court;(b) <u>No Order</u>. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise be in effect that restrains or prohibits the completion of the Transaction.(c) <u>Successful Bid</u>. This Agreement will be the Successful Bid (as determined pursuant to the SISP).(d) <u>No Restraint</u>. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction.
9.2 Conditions – Stalking Horse Purchaser	<p>The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, on or prior to the Closing Date:</p> <ul style="list-style-type: none">(e) <u>Implementation Steps</u>. The Implementation Steps shall have been completed in the order and in the timeframes contemplated hereunder.(f) <u>Company's Deliverables</u>. The Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the

	<p>Closing all the documents contemplated in Section 8.3.</p> <p>(g) <u>No Breach of Representations and Warranties</u>. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement (including the Approval and Vesting Order), each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.</p> <p>(h) <u>No Breach of Covenants</u>. The Company shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by it on or before the Closing Date.</p> <p>(i) <u>Employees</u>. The Company shall have terminated the employment of the Terminated Employees</p> <p>(j) <u>Permits and Licenses</u>. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied.</p> <p>(k) <u>Material Adverse Change</u>. After the date of this Agreement and before the Closing Time, there will not have occurred any Material Adverse Change.</p>
9.3 Conditions – Felix	<p>The obligation of the Company to complete the Transaction is subject to the following conditions being satisfied on or prior to the Closing Date:</p> <p>(a) <u>Purchaser's Deliverables</u>. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.</p> <p>(b) <u>No Breach of Representations and Warranties</u>. Each of the representations and warranties contained in Section 5.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.</p> <p>(c) <u>No Breach of Covenants</u>. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this</p>

	Agreement required to be performed by the Purchaser on or before the Closing.
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14. If the Stalking Horse Bid is not the Successful Bid in the SISP, then the Stalking Horse Purchaser will be entitled to payment of the Expense Reimbursement in an aggregate amount of \$50,000. The “**Expense Reimbursement**” is to act as consideration of the Stalking Horse Purchaser’s expenditure of time and money and agreement to act as the “Stalking Horse Bidder”, including the cost of having the Stalking Horse Agreement drafted and which will be used as the base agreement in the SISP.

b. The SISP

15. The proposed SISP provides for the Monitor, in consultation with Felix, to solicit interest and opportunities for a sale of, or investment in, all or part of Felix’s assets and business operations. The SISP was designed to be a flexible process that will obtain the best value for Felix’s business to maximize value for Felix’s many stakeholders. A copy of the SISP is attached to the Application.

16. The SISP contemplates one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of Felix as a going concern or a sale of all, substantially all or one or more components of the assets of Felix (i.e., the Property) and Felix’s business operations (collectively, the “**Business**”).

17. The SISP contains the following milestones:

Date	Milestone
December 13, 2024	Monitor to commence solicitation of interest from parties, including delivery of the Teaser Letter (as defined in the SISP) and sales packages, and establish confidential data room
January 31, 2025	Bid Deadline (as defined in the SISP) – due date for bids and deposits
<i>If no Qualified Bids (as defined in the SISP) are received other than the Stalking Horse Bid</i>	
February 4, 2025	Selection of Stalking Horse Bid as Successful Bid (as defined in the SISP)

February 14, 2025 (pending the Court's availability)	Approval and Vesting Order Motion
As soon as possible but no later than February 21, 2025	Closing of Stalking Horse Bid
<i>If Qualified Bids are selected other than the Stalking Horse Bid</i>	
February 4, 2025	Monitor to provide the Lead Bid(s) (as defined in the SISP) to the Stalking Horse Bidder and each Qualified Bidder
February 11, 2025	Auction (as defined in the SISP), if needed
February 14, 2025	Selection of Successful Bid and Back-Up Bid, if needed
February 21, 2025 (pending the Court's availability)	Approval and Vesting Order Motion (if there is an Auction)
As soon as possible but no later than February 28, 2025	Closing of the Successful Bid

18. I believe that the SISP is fair and reasonable for several reasons, including the following:

- (a) The SISP was prepared in consultation with, and with input from, the Monitor, and is supported by the Monitor. The Monitor agrees that interested parties will have sufficient time to formulate and submit Qualified Bids (as defined in the SISP) and that the SISP will ensure the Business is sold as a going concern;
- (b) The SISP will be administered by the Monitor, with the input and support of Felix;
- (c) Felix will work to prepare a data room by gathering as much information as possible about the company, and it will actively participate in the SISP;
- (d) I anticipate that the number of interested parties within the SISP will be limited given the nature of Felix's business as a pre-revenue tech-start up, and the SISP (including the Stalking Horse Subscription Agreement) allows a targeted approach to balance cost; and

- (e) The First Lien Lenders are the Stalking Horse Purchaser under the Stalking Horse Subscription Agreement. This makes the SISP process more efficient by ensuring that any purchaser at least satisfies the amounts owing to these lenders, and that there is a going-concern transaction. To achieve a balance and ensure fairness, the SISP also contemplates an auction at the end if necessary.

IV. REVISED CASH FLOW FORECAST

19. With the assistance of the Monitor, Felix has undertaken an updated cash flow analysis to determine the quantum of funding required to finance their operations, assuming the ARIO is granted, over the 13-week period through to the week ending March 2, 2025 (the “**Revised Cash Flow Forecast**”). The Revised Cash Flow Forecast is attached hereto as **Exhibit “B”**.

20. The Revised Cash Flow Forecast indicates that Felix urgently requires DIP financing to ensure that it has the liquidity required to meet its obligations and continue its business operations during the Stay Period and conduct the SISP. However, with the DIP Facility in place, Felix will have sufficient liquidity to meet its obligations during the Stay Period.

V. THE AMENDED AND RESTATED INITIAL ORDER

21. As described in my First Affidavit, the relief sought under the Initial Order was circumscribed to provide the stability, breathing room, and financing required to prevent the immediate cessation of Felix’s going concern operations and address Felix’s liquidity crisis during the Stay Period. Felix now seeks to extend and expand certain of the limited relief granted under the Initial Order pursuant to the ARIO as previewed in my First Affidavit. Such relief is in the best interests of Felix and its stakeholders, including its employees and vendors.

22. The material relief sought under the proposed ARIO is discussed below.

a. DIP Facility

23. The Initial Order approved Felix’s ability to borrow under the DIP Facility, to finance Felix’s critically required operating expenses and other general corporate purposes, post-filing expenses, and costs over the Stay Period but limiting such advances to \$400,000 during the Stay Period. Felix is now seeking authority to access the full value of the DIP Facility—the principal amount of \$2,350,000—to be used in accordance with the Revised Cash Flow Forecast.

24. The DIP Facility was originally forecasted to be the principal amount of \$2.1 million, however, Robert Alpert, a creditor of Felix, has taken actions in the United States, including contacting Felix's major customers, which require Felix to seek recognition of these CCAA Proceedings in the United States under Chapter 15 of the U.S. Bankruptcy Code to avoid further harm to the company and the Business. Felix is in the process of engaging United States counsel to address these issues.

25. In addition, payments to certain critical suppliers were set out in my First Affidavit. The original cashflow budgeted for a payment plan to address arrears. However, certain critical suppliers have demanded payment in full to continue providing services, which has necessitated further borrowing.

26. A copy of the First Amending Agreement to the DIP Facility Term Sheet, dated December 3, 2024 is attached hereto as **Exhibit "C"**.

b. Increasing the Administration Charge

27. The Initial Order provides for a court-ordered charge in favour of the Monitor, as well as counsel to the Monitor and Felix, over Felix's property, to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of Felix up to a maximum amount of \$150,000 (the "**Administration Charge**"). Pursuant to the ARIO, Felix seeks to increase the Administration Charge to the maximum amount of \$250,000. The increased quantum was determined by Felix, in collaboration with the Monitor.

28. Felix requires the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during the CCAA Proceeding in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in Felix's restructuring.

29. I believe that the increase in quantum of the Administration Charge is fair and reasonable in the circumstances, given the longer Stay Period and more intensive work required during the CCAA Proceeding, including a SISF administered by the Monitor. I understand that the Monitor is also of the view that the Administration Charge is fair and reasonable in the circumstances.

c. **KERP and KERP Charge**

i. **Overview and Key Terms of the KERP**

30. With the assistance of its legal advisors and the Monitor, Felix has developed a proposed KERP term sheet to secure the continued service of a select subset of critical employees (the “**KERP Term Sheet**”). Under the terms of the KERP Term Sheet Felix proposes to make retention payments to certain individuals employed by Felix (collectively, the “**Eligible Employees**”).

31. The KERP has been designed to incentivize Eligible Employees to remain in their employment during the course of these CCAA Proceeding. The Eligible Employees are members of the executive management team, the senior management team, and certain key personnel.

32. A redacted copy of the KERP Term Sheet, which does not include any employee particulars, is attached hereto and marked as **Exhibit “D”** to this affidavit. An unredacted copy of the KERP Term Sheet, which includes all details concerning the Eligible Employees and KERP Payments, will be attached as Exhibit “A” to the Confidential Cole Affidavit.

33. Felix seeks court approval of the KERP and the granting of the KERP Charge, in the maximum amount of CA\$95,000, to secure payment and performance of the obligations under the KERP.

34. Pursuant to the terms of the KERP, each of the Eligible Employee’s respective payment entitlement is called the “**KERP Payments**”. The KERP Payments will become payable to the Eligible Employees on the following events:

- (a) the first payment upon Court approval of the KERP and the KERP Charge; and
- (b) the second payment upon the earlier of: the closing of a sale pursuant to the SISP or any other sale of all or substantially all of the assets of Felix, the implementation of a plan of arrangement in the CCAA Proceeding, the termination of the CCAA Proceeding, or the termination of all of substantially all of the employees of Felix,

35. The retention of the Eligible Employees and their ongoing commitment to Felix is critical for the following reasons:

- (a) the Eligible Employees provide essential leadership required to maintain Felix, which is necessary for its ongoing operations;
- (b) the Eligible Employees will, among other roles, provide strategic direction for Felix's business, respond to due diligence inquiries, and assist in identifying, developing, and implementing initiatives to maximize the value available to all of Felix's stakeholders;
- (c) none of the Eligible Employees could be readily or easily replaced internally and the process to find appropriately qualified replacements externally would be lengthy, difficult, and costly at a time when Felix should be focused on its operations and achieving a value-maximizing transaction pursuant to the SISP;
- (d) any replacements for the Eligible Employees would face a steep learning curve;
- (e) the Eligible Employees have knowledge of, and familiarity with, the Business and its operations, and significant experience and expertise;
- (f) without the KERP, the Eligible Employees would likely consider other employment options;
- (g) the KERP Payments will facilitate the continued participation of the Eligible Employees in the CCAA Proceeding;
- (h) the amounts payable under the KERP are modest;
- (i) Felix's base-compensation is generally below market for similar-qualified employees, meaning that without the KERP, employees are incentivised to leave and not easily replaced except at increased cost; and
- (j) I verily believe that any process to replace the Eligible Employees would likely be more costly in terms of business disruption, money, and time, than the implementation of the KERP.

36. Based upon my discussions with Felix's management, I verily believe that the scope of the KERP Payments and the identification and number of the Eligible Employees are appropriately tailored to Felix's current circumstances. The Eligible Employees have been identified by the

directors and management of Felix, and the aggregate target payment of CAD\$95,000 is reasonable.

ii. The KERP Charge

37. It is anticipated that the KERP Payments will be funded from Felix's cash flow. However, to ensure that the Eligible Employees receive reasonable assurances that their entitlements under the KERP are secure despite Felix's insolvency, Felix seeks the approval of the KERP Charge under the ARIO.

38. The KERP Charge is to be limited to the maximum aggregate amount of CAD\$95,000. The KERP Charge is solely intended to provide the Eligible Employees with a reasonable degree of certainty and assurance that Felix will be able to make the KERP Payments. The proposed KERP Charge is intended to rank after the Administration Charge, the DIP Lender's Charge, and the Directors' Charge.

39. In light of the above, and given the importance of the Eligible Employees to Felix's restructuring strategy and business, Felix's management and directors believe that the amounts payable under the KERP, and the granting of the KERP Charge, are fair, reasonable, and appropriate in the circumstances.

VI. THE SEALING ORDER

40. As noted above, Felix is seeking a sealing order in respect of the full contents of the KERP, including Schedule 1 of the KERP, which is attached as Exhibit "A" to the Confidential Cole Affidavit.


41. The Confidential Cole Affidavit identifies each employee benefiting from the KERP, along with sensitive compensation information for each individual employee, which I believe may cause harm to the Eligible Employees and could lead to disruption to Felix if made public. Such information is not normally made available to the public in the ordinary course. The key terms of the KERP and the maximum amount payable has been appended to the Confidential Cole Affidavit – as such, there is minimal prejudice to the sealing, and the salutary effects outweigh the deleterious effects of its exclusion from the public record.

VII. CONCLUSION

42. Since the granting of the Initial Order, Felix has acted in good faith and with due diligence to, among other things, stabilize the Business, apprise their stakeholders of the CCAA Proceeding, liaise with its vendors and advance its restructuring efforts. In that time, Felix has maintained its ordinary course operations. With the benefit of the relief proposed under the Stalking Horse and SISP Approval Order and the ARIO and the assistance of the Monitor, Felix will be able to continue the Business' ordinary course operations and pursue its restructuring objectives for the benefit of its stakeholders.

43. I believe that the relief sought in the Application and described above is in the best interests of Felix and its stakeholders. Such relief will advance the purposes of the CCAA Proceeding and is supported, in each case, by the Monitor.

SWORN BEFORE ME at Vancouver,
British Columbia, this 3rd day of
December, 2024.



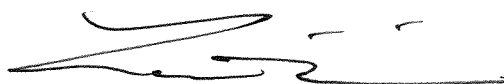
A Commissioner for taking Affidavits for
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ANDREW COLE

This is **Exhibit "A"** referred to in **Affidavit #2** of **Andrew Cole**, sworn before me at Vancouver, British Columbia, this 3rd day of December, 2024.

A handwritten signature in black ink, consisting of several fluid, connected strokes, positioned above a horizontal line.

A Commissioner for taking Affidavits
for British Columbia

STALKING HORSE SUBSCRIPTION AGREEMENT

This Agreement is made as of the 3rd day of December, 2024 (the “**Effective Date**”)

BETWEEN:

FELIX PAYMENT SYSTEMS LTD.

– and –

JAKE BOXER

- and -

DOUG MORDY

– and –

CA MORDY LEGACY TRUST

– and –

PEL CHARTERED PROFESSIONAL ACCOUNTANTS INC.

WHEREAS:

- A. On October 15, 2024, Felix Payment Systems Ltd. (the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended. Alvarez & Marsal Canada Inc. (“**A&M**”) was appointed as proposal trustee in the NOI proceedings. Subsequently, on November 25, 2024, the Company was granted an initial order (as may be amended and restated from time to time, the “**Initial Order**”) by the Supreme Court of British Columbia (the “**Court**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Initial Order, A&M was appointed as monitor (the “**Monitor**”) in the CCAA Proceedings.
- B. In connection with the CCAA Proceedings, the Company, in consultation with the Monitor, intend to conduct a sale and investment solicitation process (“**SISP**”) to solicit offers for all or a portion of the Business (as hereinafter defined) and/or assets of the Company.
- C. Pursuant to the SISP, Jake Boxer, Doug Mordy, the CA Mordy Legacy Trust and PEL Chartered Professional Accountants Inc. (collectively, the “**Purchaser**”) has been selected as the stalking horse bidder and as such, the Purchaser has agreed to subscribe for, and the Company has agreed to issue, the Purchased Shares (as hereinafter defined) on and pursuant to the terms set forth herein if the Purchaser becomes the successful bidder pursuant to the SISP.
- D. The Company and the Purchaser (collectively, the “**Parties**”) wish to enter into this Agreement to set out the terms pursuant to which the Purchaser will acquire the Purchased Shares.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the Parties hereby acknowledge and agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the following terms shall have the following meanings:

“Administration Charge” has the meaning given to it in the Initial Order, as may be amended and restated from time to time.

“Administrative Wind-down Amount” means cash in the amount of \$50,000 to be used to satisfy the costs incurred by the Monitor and its professional advisors to administer ResidualCo, the Company, and the Excluded Assets and Excluded Liabilities, and to wind-down and/or dissolve and/or bankrupt ResidualCo.

“Affiliate” has the meaning given to the term “affiliate” in the *Business Corporations Act* (British Columbia).

“Agreement” means this stalking horse subscription agreement, as may be further amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and **“Article”** and **“Section”** mean and refer to the specified article, section and subsection of this Agreement.

“Applicable Law” means, in respect of any Person, property, transaction or event, any: (a) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order; (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (c) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“Approval and Vesting Order” means an order by the Court, in a form to be mutually agreed upon by the Purchaser and the Company, each acting reasonably.

“Approval and Vesting Order Hearing” means the hearing before the Court for, *inter alia*, the Approval and Vesting Order.

“Articles of Reorganization” means articles of reorganization, or an equivalent amendment to constating documents, in respect of the authorized and issued capital of the Company to (i) create a new class of shares of the Company, being the Class “A” Common Shares; and (ii) provide for the redemption or cancellation of all of the Existing Shares of the Company, for no consideration at Closing; such articles of reorganization to be in a form and substance satisfactory to the Purchaser and the Monitor, acting reasonably.

“Assumed Contracts” means the Contracts listed in Schedule “F”, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearing in accordance with the terms hereof (and including as such Assumed Contracts may be amended, restated, supplemented or otherwise modified from time to time).

“Assumed Liabilities” means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “E”, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearing, provided that consent of the Company and the Monitor is required for the removal of any Assumed Liabilities in

accordance with the terms hereof; (b) all obligations existing under or in connection with the DIP Lender's Charge; (c) all obligations existing under or in connection with the First Lien Charge; (d) all Liabilities which relate to the Permits and Licenses and the Business under any Assumed Contracts, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

"Authorization" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval or building permit) or from any Person in connection with any easements, contractual rights or other matters.

"Books and Records" means: (i) all of the Company's files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including financial, Tax and accounting books and records; and (ii) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including financial, Tax and accounting books and records used or intended for use by, or in the possession of the Company, including information, documents and records relating to the Assumed Contracts, the Employees, customer lists, customer information and account records, sales records, computer files, data processing records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

"Business" means the business historically conducted by the Company being cloud based payment acceptance structure and associated software systems.

"Business Day" means a day on which banks are open for business in Vancouver, British Columbia, but does not include a Saturday, Sunday or statutory holiday in the Province of British Columbia.

"CCAA" has the meaning set out in the recitals hereto.

"CCAA Charges" means the charges granted by the Court in the CCAA Proceedings.

"CCAA Charge Amount" means cash in an amount sufficient to satisfy the amounts owing in respect of the obligation secured by the CCAA Charges which rank in priority to the First Lien Charge.

"CCAA Proceedings" has the meaning set out in the recitals hereto.

"Claims" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in action or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

"Closing" means the closing and consummation of the Transaction.

"Closing Date" means the date that is not less than five (5) Business Days after the date upon which the conditions set forth in ARTICLE 9 have been satisfied or waived, other than any

conditions set forth in ARTICLE 9 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Parties in writing).

“**Closing Payment**” has the meaning set out in Section 3.2.

“**Closing Time**” means 12:01 a.m. (Vancouver time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing.

“**Contracts**” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

“**Company**” has the meaning set out in the recitals hereto.

“**Court**” has the meaning set out in the recitals hereto.

“**DIP Lender’s Charge**” has the meaning set out in the Initial Order, as may be amended and restated from time to time.

“**DIP Term Sheet**” means the DIP Facility Term Sheet dated November 21, 2024, whereby Jake Boxer, the CA Mordy Legacy Trust and PEL Chartered Professional Accountants, as lender, established a credit facility in favour of the Company in the maximum aggregate principal amount of \$2,100,000, as may be amended, restated, or supplemented from time to time.

“**Effective Date**” has the meaning set out in the preamble hereto.

“**Employee**” means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long term disability leave, but for certainty excludes any employee whose employment will be terminated pursuant to Section 9.2(e).

“**Employee Termination Costs**” has the meaning set out in Section 6.8(c).

“**Encumbrance**” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage, adverse claim or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Excluded Assets**” means the properties, rights, assets and undertakings of the Company listed as “Excluded Assets” on Schedule “A”, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearings in accordance with the terms hereof.

“**Excluded Contracts**” means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule “B”, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearings in accordance with the terms hereof.

“Excluded Liabilities” has the meaning set out in Section 4.2.

“Existing Shares” means: (i) all of the common shares of Company that are issued and outstanding immediately prior to the Closing Time; and (ii) any other equity interests of any nature or kind of the Company, whether voting or non-voting, whether preferred, common or otherwise, whether convertible or otherwise, including any Contract, plan, indenture, deed, certificate, subscription rights, conversion rights, pre-emptive rights, options (including stock option or share purchase or equivalent plans), or other documents or instruments governing and/or having been created or granted in connection with any such equity interests. For greater certainty, Existing Shares do not include the Purchased Shares.

“First Cole Affidavit” means the First Affidavit of Andrew Cole sworn November 21, 2024 and filed in the CCAA Proceedings

“First Lien Charge” means the charge in favour of Jake Boxer, The CA Mordy Legacy Trust and Brookridge Chartered Professional Accountants Inc. (former name of PEL Chartered Professional Accounts Inc.) registered pursuant to the *Personal Property Security Act* (British Columbia) under base registration numbers 160139Q dated January 29, 2024 and 186604Q dated February 12, 2024.

“First Lien Loan Documents” means the loan documents in favour of First Lien Lenders (as defined in the First Cole Affidavit) as attached as Exhibits E-L, N-U, and Y-CC to the First Cole Affidavit.

“Governmental Authority” means any domestic or foreign government, whether federal, provincial, state, territorial, municipal or supra-national; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“Implementation Steps” means the transactions, acts and events described in Exhibit “A”, as the same may be modified in accordance with Section 8.2 and the Approval and Vesting Order, which are to occur in the sequence described therein.

“Income Tax Act” means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

“Initial Order” has the meaning set out in the recitals hereto.

“Interim Period” means the period from the Effective Date to the Closing Time.

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“Material Adverse Change” means any one or more changes, effects, facts, developments, events or occurrences that, individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the Business, properties, assets, liabilities (contingent or otherwise), condition (financial or otherwise), operations or results of operations of the Company, but excluding any such changes, effects, facts, developments, events or occurrences that result from or arise out of: (A) changes in general economic conditions; (B) changes affecting the industries and markets in which the Business operates; (C) changes in macroeconomic factors, interest rates, currency exchange rates or general financial or credit market conditions, (D) acts of God, war,

terrorism, civil unrest or hostilities; (E) the COVID-19 pandemic or other epidemic or pandemic outbreaks including any continuation or escalation thereof; (F) any change in law or its interpretation, administration or application or non-application by any Governmental Authority or in generally acceptable accounting principles; (G) any failure to meet any internal or publicly disclosed projections, forecasts, estimates or budgets of, or guidance relating to, revenue, cash flow, earnings or other financial metrics for any period; (H) any action taken (or omitted to be taken) by the Company that is permitted under this Agreement or consented to by the Purchaser; (I) any change or development in respect of any Excluded Assets, Excluded Liabilities or Excluded Contracts; (J) the pendency of the CCAA Proceedings and any action approved by, or motion made before, the Court; or (K) any announcement of the Transaction, the identity of the Purchaser or any action or inaction of the Purchaser or its Affiliates.

“**Monitor**” has the meaning set out in the recitals hereto.

“**Monitor’s Certificate**” means the certificate deliver to Purchaser and filed with the Court by the Monitor certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from the Company and the Purchaser that all conditions to Closing have been satisfied or waived by the applicable Parties and the Transaction has been completed.

“**Organizational Documents**” means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

“**Outside Date**” means 11:59 pm (Vancouver time) on February 28, 2024 or such later date and time as the Parties may agree to in writing.

“**Parties**” means the Company and the Purchaser, and “**Party**” means any one of them.

“**Permits and Licenses**” means the permits, licenses, authorizations, approvals or other evidence of Authority related to the Business and issued to, granted to, conferred upon, or otherwise created for the Company.

“**Permitted Encumbrances**” means those Encumbrances related to the Retained Assets as set forth in Schedule “D”, as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearing Date in accordance with the terms hereof.

“**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“**Priority Payments**” means those payments prescribed under subsections 6(3), 6(5) and 6(6) of the CCAA.

“**Purchase Price**” has the meaning set out in Section 3.1.

“**Purchased Shares**” has the meaning set out in Section 2.1(a).

“**Purchaser**” has the meaning set out in the recitals hereto.

“**ResidualCo**” means a corporation incorporated or to be incorporated under the laws of Canada or a province thereof at least three (3) days prior to the Approval and Vesting Order Hearing Date, to which the Excluded Assets and Excluded Liabilities will be transferred pursuant to the Approval

and Vesting Order and in accordance with the Implementation Steps, and which shall have no issued and outstanding shares.

“Retained Assets” has the meaning set out in Section 4.1.

“SISP Order” means the Order of the Court approving the SISP.

“Successful Bid” has the meaning set out in the SISP.

“Tax” and **“Taxes”** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts paid to or by any Person) imposed by any Taxing Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by an Taxing Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, escheat, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada, British Columbia and other government pension plan premiums or contributions.

“Tax Return” means any return, declaration, report, statement, information statement, form, election, amendment, claim for refund, schedule or attachment thereto or other document filed or required to be filed with a Taxing Authority with respect to Taxes.

“Taxing Authority” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, the United States Internal Revenue Service, any similar revenue or taxing authority of the U.S. and each and every state and locality of the U.S., and any Canadian, U.S. or other Governmental Authority exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities.

“Terminated Employee” has the meaning set out in Section 6.8.

“Transaction” means all of the transactions contemplated by this Agreement, including the transactions whereby the Purchaser will acquire the Purchased Shares.

“Transaction Regulatory Approvals” means any material licenses, permits, grants, or approvals required from any Governmental Authority or under any Applicable Laws relating to the Business and operations of the Company that would be required to be obtained in order to permit the Company and Purchaser to complete the Transaction.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof. The expression “Section” or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this

Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings and the term “third party” means any other Person other than the Company or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Interpretation if Closing Does Not Occur

In the event that Closing does not occur, each provision of this Agreement which presumes that the Purchaser have acquired the Purchased Shares hereunder shall be construed as having been contingent upon Closing having occurred.

1.7 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.8 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A - Implementation Steps

SCHEDULES

Schedule A - Excluded Assets
 Schedule B - Excluded Contracts
 Schedule C - Excluded Liabilities
 Schedule D - Permitted Encumbrances
 Schedule E - Assumed Liabilities
 Schedule F - Assumed Contracts

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Purchased Shares

- (a) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, the Company shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of the Company from treasury, to be specified by the Purchaser at least two (2) Business Days prior to the Approval and Vesting Order Hearings, which shares shall be free and clear of all Encumbrances (the “**Purchased Shares**”).
- (b) Pursuant to the Approval and Vesting Order and, if required, the Articles of Reorganization, in accordance with the Implementation Steps, all Equity Interests of the Company outstanding prior to the issuance of the Purchased Shares, other than the Purchased Shares, shall be cancelled, without consideration, and the Purchased Shares shall represent 100% of the outstanding Equity Interests in the Company after such cancellation and issuance.
- (c) For the avoidance of doubt, upon the Closing, following the issuance of the Purchased Shares, the cancellation of the Existing Shares and the completion of the Implementation Steps, Felix shall be wholly owned by the Purchaser.

2.2 Assumed Liabilities

The Assumed Liabilities of the Company shall continue to be Liabilities of the Company as of the Closing.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The total aggregate consideration payable by the Purchaser for the Purchased Shares is estimated to be [\$●] (the “**Purchase Price**”) and shall be equal to the following:

- (a) all amounts outstanding and obligations payable by the Company under or in connection with the DIP Term Sheet and secured by the DIP Lender’s Charge, including principal, interest and fees accrued up to and including the Closing Date, which indebtedness shall be assumed by the Purchaser at Closing; plus
- (b) all amounts outstanding and obligations payable by the Company under or in connection with the First Lien Loan Documents and secured by the First Lien Charge, including principal, interest and fees accrued up to and including the Closing Date, which indebtedness shall be assumed by the Purchaser at Closing; plus
- (c) the value of all other Assumed Liabilities, if any, to be satisfied by the Purchaser performing and/or discharging such Assumed Liabilities as and when they become due; plus
- (d) The value of the Closing Payment, to be paid by the Purchaser in accordance with Section 3.2.

For greater certainty, should the estimate set out above differ from the actual amount to be calculated in accordance with Section 3.1(a) through (c), the Purchaser Price shall be the actual amount calculated in accordance with Section 3.1(a) through (c).

3.2 Closing Payment

- (a) At Closing, the Purchaser shall pay to the Monitor an amount equal to the sum of: (i) the Priority Payments; (ii) the CCAA Charge Amount; and (iii) the Administrative Wind-down Amount (collectively the “**Closing Payment**”), provided, however, that such amount shall not exceed \$500,000. The Monitor shall hold the Closing Payment in trust for the benefit of Persons entitled to be paid from the Closing Payment.
- (b) Notwithstanding the foregoing or anything else contained herein or elsewhere, each of the Company and the Purchaser acknowledges and agrees that: (i) the Monitor’s obligations hereunder are and shall remain limited to those specifically set out in this Section 3.2; and (ii) the Monitor is acting solely in its capacity as the CCAA Court-appointed Monitor of the Company pursuant to the Initial Order and not in its personal or corporate capacity, and the Monitor has no liability in connection with this Agreement whatsoever, in its personal or corporate capacity or otherwise, save and except for and only to the extent of the Monitor’s gross negligence or intentional misconduct. The Parties further acknowledge and agree that the Monitor may rely upon the provisions of this Section 3.2 notwithstanding that the Monitor is not a party to this Agreement.

ARTICLE 4 TRANSFER OF EXCLUDED ASSETS, EXCLUDED CONTRACTS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets and Excluded Contracts to ResidualCo

At Closing, the Company shall retain all of the assets owned by it on the Effective Date and any assets acquired by it up to and including Closing, including, without limitation, the Purchased Shares, the Company’s equipment, Assumed Contracts, Permits and Licenses, Books and Records, Business and undertakings (collectively, the “**Retained Assets**”). The Retained Assets shall not include: (i) the Excluded Assets; and (ii) the Excluded Contracts. The Excluded Assets and the Excluded Contracts shall be transferred to ResidualCo in accordance with the Implementation Steps, and same shall be vested in ResidualCo pursuant to the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

In accordance with the Implementation Steps and the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company, the Purchased Shares, or against, relating to or affecting any of the Retained Assets, including, inter alia, the non-exhaustive list of Liabilities set forth in Schedule “C” as the same may be modified by the Purchaser no later than five (5) Business Days before the Approval and Vesting Order Hearing (provided that no additions shall be made without the consent of the Company and the Monitor) (collectively, the “**Excluded Liabilities**”), shall be excluded and will no longer be binding on the Company, Purchased Shares (or the holders thereof), Retained Assets, Employees, Permits and Licenses or Books and Records following the Closing Time and shall be transferred to, vested in and assumed by ResidualCo. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo. only and the Excluded Assets, if any, shall be available to satisfy such Claims.

4.3 Tax Matters

- (a) The Purchaser and the Company agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Shares and the Assumed Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund or other required filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters. The Purchaser and the Company also agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Company, the Purchased Shares, and the Assumed Liabilities as is reasonably necessary for Purchaser to acquire them in a tax efficient manner for both the Purchaser and the Company.
- (b) Purchaser and the Company shall each be responsible for the preparation of their own statements required to be filed under the *Income Tax Act* and other Tax forms and returns in accordance with Applicable Law.
- (c) For all purposes under this Agreement for which it is necessary to apportion Taxes in a period which includes (but does not end on) the Closing Date (a “**Straddle Period**”), all real property Taxes, personal property Taxes and similar ad valorem obligations shall be apportioned between the period up to and including the Closing Date (such portion of such Straddle Period, the “**Pre-Closing Straddle Tax Period**”) and the taxable period after the Closing Date (such portion of such Straddle Period, the “**Post-Closing Straddle Tax Period**”), on a per diem basis. Except as otherwise provided herein, with respect to the Purchased Shares, the Company shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Pre-Closing Straddle Tax Period, and the Purchaser shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Post-Closing Straddle Tax Period. For all purposes under this Agreement, in the case of any Tax based upon or related to receipts, sales, use, payroll, or withholding, in respect of any Straddle Period, the portion of such Tax allocable to the Pre-Closing Straddle Tax Period shall be deemed to be the amount that would be payable if the relevant Straddle Period ended on and included the Closing Date. To the extent such closing of the books method is not incorporated under the law of a jurisdiction for particular types of entities, allocations of income among the periods shall be made to replicate the closing of the books method to the maximum extent possible.
- (d) The Purchaser shall (a) cause the Company, as applicable, to prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns for the Company for all Tax periods ending on or prior to the Closing Date and for which Tax Returns have not been filed as of such date; and (b) cause the Company, as applicable, to duly and timely make or prepare all Tax Returns required to be made or prepared by them and to duly and timely file all Tax Returns required to be filed by them for periods beginning before and ending after the Closing Date. All such Tax Returns in clauses (a) and (b) of this Section 4.3(d) constitute the “**Straddle Period Tax Returns**”. The Company, the Monitor and the Purchaser shall co-operate reasonably with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of any Straddle Period Tax Return and the Purchaser shall preserve (or cause the Company to preserve) such data and other information until the expiration of any applicable limitation period under Applicable Law with respect to Taxes.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Company

The Company hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser are relying on such representations and warranties in connection with entering into this Agreement and performing their obligations hereunder:

- (a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia) respectively, is in good standing under such acts and, subject to the granting of the Approval and Vesting Order, has the power and authority to enter into, deliver and perform their obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.
- (c) No Conflict. The execution, delivery and performance by the Company of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company or, subject to the receipt of any Transaction Regulatory Approvals, any Applicable Law applicable to the Company, the Retained Assets or the Purchased Shares.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.
- (e) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened, which would reasonably be expected to enjoin, delay, restrict or prohibit the Company from fulfilling any of its obligations set forth in this Agreement, and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.
- (f) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Transaction Regulatory Approvals, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the completion of the Transaction.

5.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to and in favour of the Company as of the date hereof and as of the Closing Time as follows, and acknowledges that the Company is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. PEL Chartered Professional Accounts Inc. is a corporation incorporated and existing under the laws of its jurisdiction of incorporation, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement. CA Mordy Legacy Trust is a trust existing under the laws of its jurisdiction of formation, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement

- (b) Corporate Authorization. The execution, delivery and performance by PEL Chartered Professional Accounts Inc. and CA Mordy Legacy Trust of this Agreement has been authorized by all necessary corporate action on the part of PEL Chartered Professional Accounts Inc. and CA Mordy Legacy Trust.
- (c) No Conflict. The execution, delivery and performance by such Purchaser of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of PEL Chartered Professional Accounts Inc. and CA Mordy Legacy Trust or, to the knowledge of PEL Chartered Professional Accounts Inc. and CA Mordy Legacy Trust, any Applicable Law.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by such Purchaser and constitutes a legal, valid and binding obligation of such Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

5.3 As is, Where is

The Purchaser acknowledge, agree and confirm that, at the Closing Time, the Purchased Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an “*as is, where is*” basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever. For greater certainty, the Retained Assets shall be retained by the Company on an “*as is, where is*” basis.

THE PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY EXPRESSLY AND SPECIFICALLY SET FORTH IN ARTICLE 5: (A) THE PURCHASER IS ACQUIRING THE PURCHASED SHARES ON AN “AS IS, WHERE IS” BASIS; AND (B) NONE OF THE COMPANY, THE MONITOR OR ANY OTHER PERSON (INCLUDING ANY REPRESENTATIVE OF THE COMPANY, OR THE MONITOR WHETHER IN ANY INDIVIDUAL, CORPORATE OR ANY OTHER CAPACITY) IS MAKING, AND THE PURCHASER IS NOT RELYING ON, ANY REPRESENTATIONS, WARRANTIES, GUARANTEES, CONDITIONS OR OTHER STATEMENTS OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO ANY MATTER CONCERNING, THE BUSINESS, THE PURCHASED SHARES, THE RETAINED ASSETS, THE ASSUMED LIABILITIES, THE ASSUMED CONTRACTS, THE EXCLUDED ASSETS, THE EXCLUDED CONTRACTS, THE EXCLUDED LIABILITIES, THIS AGREEMENT OR THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT, OR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED TO (OR OTHERWISE ACQUIRED BY) THE PURCHASER OR ANY OF ITS REPRESENTATIVES, INCLUDING WITH RESPECT TO MERCHANTABILITY, PHYSICAL OR FINANCIAL CONDITION, DESCRIPTION, FITNESS FOR A PARTICULAR PURPOSE, OR IN RESPECT OF ANY OTHER MATTER OR THING WHATSOEVER, INCLUDING ANY AND ALL CONDITIONS, GUARANTEES, STATEMENTS, WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, PURSUANT TO ANY APPLICABLE LAWS IN ANY JURISDICTION, WHICH THE PURCHASER CONFIRM DO NOT APPLY TO THIS AGREEMENT, AND ARE HEREBY WAIVED IN THEIR ENTIRETY BY THE PURCHASER.

ARTICLE 6 ADDITIONAL AGREEMENTS OF THE PARTIES

6.1 Expense Reimbursement

In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, Purchaser shall be entitled to an Expense Reimbursement of up to \$50,000 (the "**Expense Reimbursement**"). The Expense Reimbursement is subject to Court approval and shall be approved in the SISP Order and shall be payable to the Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid. Each of the Company and the Purchaser acknowledges and agrees that the Expense Reimbursement (i) represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement, and (ii) is not intended to be punitive in nature nor to discourage competitive bidding with respect to the SISP. The Expense Reimbursement shall be paid by the Company to the Purchaser without deduction or withholding for Taxes unless required by Applicable Law.

6.2 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

6.3 Motion for Approval and Vesting Order

As soon as practicable following the conclusion of the SISP, if the Purchaser is the Successful Bidder (as defined in the SISP), the Company shall serve and file with the Court a motion for the issuance of the Approval and Vesting Order. The Company shall use its commercially reasonable efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Company in its efforts to obtain the issuance and entry of the Approval and Vesting Order.

6.4 Access to Information

- (a) Until the Closing Time, the Company, with oversight of the Monitor, shall give to the Purchaser's personnel engaged in the transactions contemplated by this Agreement and their accountants, legal advisers, consultants, financial advisers and representatives during normal business hours reasonable access to its premises and to all of the books, records, and other information relating to the Business, and shall furnish them with all such information relating to the Business, the Company, the Assumed Liabilities and the list of employees as Purchaser may reasonably request in connection with the transactions contemplated by this Agreement, such requests to be made to the Monitor; provided that such access shall be conducted at Purchaser's expense, in accordance with Applicable Law and under supervision of the Monitor or the Company's senior management and in such a manner as to maintain confidentiality, and the Company will not be required to provide access to or copies of any such books and records if: (i) the provision thereof would cause applicable Company to be in contravention of any Applicable Law; (ii) breach the terms of the SISP Order; or (iii) making such information available would: (1) result in the loss of any lawyer-client or other legal privilege; or (2) cause applicable Company to be found in contravention of any Applicable Law, or contravene any fiduciary duty or agreement (including any confidentiality agreement to which the Company or any of its Affiliates are a party). Notwithstanding anything in this Section 6.3 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not materially disrupt the conduct of the Business or the possible sale thereof to any other Person.

- (b) Following the Closing, the Purchaser shall make all books and records of the Company reasonably available to the Monitor and any trustee in bankruptcy of any of the Company upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Company to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that Purchaser shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Company and their Affiliates, as determined by the Company, acting reasonably.
- (c) Following the Closing, the Company shall make all books and records comprising Excluded Assets reasonably available to the Monitor and any trustee in bankruptcy of any of the Company upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Company to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that the Company shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Company and its Affiliates, as determined by the Company, acting reasonably.

6.5 Covenants Relating to this Agreement

- (a) Each of the Parties shall perform all obligations required to be performed by the applicable Party under this Agreement, co-operate with the other Parties in connection therewith and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, from the date hereof until the Closing Date, each Party shall and, where appropriate, shall cause each of its Affiliates to:
 - (i) negotiate in good faith and use its commercially reasonable efforts to take or cause to be taken all actions and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions precedent to the obligations of such Party hereunder (including, where applicable, negotiating in good faith with the applicable Governmental Authorities and/or third Persons in connection therewith), and to cause the fulfillment at the earliest practicable date of all of the conditions precedent to the other Party's obligations to consummate the transactions contemplated hereby; and
 - (ii) not take any action, or refrain from taking any action, or permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.
- (b) From the date hereof until the Closing Date, Purchaser hereby agrees, and hereby agrees to cause its representatives to, keep the Company informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by each of the Company and the Monitor, as to the Purchaser's progress in terms of the satisfaction of the conditions precedent contained herein.
- (c) From the date hereof until the Closing Date, the Company hereby agrees, and hereby agrees to cause its representatives to, keep Purchaser informed on a reasonably current basis, and

no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by the Purchaser or the Monitor, as to the applicable Company's progress in terms of the satisfaction of the conditions precedent contained herein.

- (d) Each of the Company and the Purchaser agree to execute and deliver such other documents, certificates, agreements and other writings, reasonably necessary for the consummation of the transactions contemplated by this Agreement, and to take such other actions to consummate or implement as soon as reasonably practicable, the transactions contemplated by this Agreement.
- (e) From the date hereof until the Closing Date, the Company hereby agrees, and hereby agrees to cause their representatives to, promptly notify the Purchaser of (i) any event, condition, or development that has resulted in the inaccuracy in a material respect or material breach of any representation or warranty, covenant or agreement contained in this Agreement, or (ii) any Material Adverse Effect occurring from and after the date hereof prior to the Closing Date.
- (f) Each of the Company and the Purchaser agree to use commercially reasonable efforts to timely prepare and file all documentation and pursue all steps reasonably necessary to obtain any material third-party consents and approvals, including without limitation the Transaction Regulatory Approvals, as may be required in connection with the transaction contemplated by this Agreement.
- (g) The Company agrees to use commercially reasonable efforts to promptly provide all documentation, copies of agreements and information reasonably required by the Purchaser to complete and finalize the Schedules to this Agreement. Such information and documentation shall be provided to the Purchaser on an ongoing basis following execution of this Agreement and in any event shall be provided to the Purchaser no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.
- (h) If Purchaser is the Successful Bidder, at the request of the Purchaser, the Companies shall proceed with the liquidation, winding-up, dissolution and/or amalgamation of the Company designated by the Purchaser on or prior to the Closing Date.

6.6 Insurance Matters

During the Interim Period, the Company shall keep in full force and effect all existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice in the ordinary course of Business.

6.7 Regulatory Approvals and Consents

- (a) Each of the Parties shall use its commercially reasonable efforts to: (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any Applicable Law or otherwise to consummate and make effective the Transaction; (ii) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the Transaction; and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Agreement and the Transaction required under any Applicable Law.
- (b) The Parties shall use reasonable efforts to cooperate and consult with each other in connection with the making of any such filings and notices, including providing copies of

all such documents to the non-filing Party and its advisors within a reasonable period of time prior to filing or the giving of notice. Each Party shall pay for its own filing fees and other charges arising out of the actions taken under this Section 6.7.

6.8 Employee Matters

- (a) The Purchaser may, in as many separate instances as it may require, notify the Company that the Purchaser wishes to interview any employees or contractors or consultants of the Company, and upon receipt of a request thereof, the Company will use all commercially reasonable efforts to facilitate such interviews as soon as reasonably practicable. The Purchaser may, but is not obligated to, in the name of the Company, make conditional (upon Closing) continued or new (as applicable) offers of employment on such terms as it may determine in its absolute and sole discretion.
- (b) The Purchaser shall make commercially reasonable efforts to make such offers in writing on or prior to the date that is ten (10) days prior to the anticipated Closing Date, provided that such offers shall be made no later than six (6) days prior to the anticipated Closing Date, and leave such offers open for acceptance up to and including two (2) days prior to the Closing Date, provided that the Purchaser notifies the Company, in writing, on or prior to the date that is six (6) days prior to the anticipated Closing Date, of the list of individuals to whom it has made or intends to make offers of employment.
- (c) In the event:
 - (i) no conditional offer of employment is made to an employee of the Company; or
 - (ii) an employee who receives an offer of employment rejects such offer in writing or fails to accept such offer of employment up to and including two (2) days prior to the Closing Date,

such employee shall be deemed to be a “**Terminated Employee**” and the Company shall terminate such Terminated Employee effective upon the Closing Date and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, other than those which are Assumed Liabilities (collectively, the “**Employee Termination Costs**”), all of which Liabilities shall be Excluded Liabilities and shall be Discharged by the Approval and Vesting Order.

ARTICLE 7 INSOLVENCY PROVISIONS

7.1 Court Orders and Related Matters

- (a) From and after the date of this Agreement and until the Closing Date, the Company shall deliver to the Purchaser drafts of any and all pleadings, motions, notices, statements, applications, schedules, and other papers to be filed or submitted by any of the Applicants in connection with or related to this Agreement, including with respect to the Approval and Vesting Order, for Purchaser’s prior review at least three (3) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for three (3) days’ review, with as much opportunity for review and comment as is practically possible in the circumstances). The Company acknowledges and agrees (i) that any such pleadings, motions, notices, statements, applications, schedules, or other papers shall be in form and substance satisfactory to the Purchaser, acting reasonably, and (ii) to consult and cooperate with Purchaser regarding any discovery, examinations and hearing in respect of

any of the foregoing, including the submission of any evidence, including witnesses testimony, in connection with such hearing.

- (b) Notice of the motions seeking the issuance of the Approval and Vesting Order shall be served or be caused to be served by the Company on all Persons required to receive notice under Applicable Law and the requirements of the CCAA, the CCAA Court, and any other Person determined necessary by the Company or Purchaser, acting reasonably.
- (c) As soon as practicable if the Purchaser is selected or deemed to be the Successful Bidder in accordance with the SISP, the Company shall file a motion seeking the issuance of the Approval and Vesting Order.
- (d) Notwithstanding any other provision herein, it is expressly acknowledged and agreed that in the event that the Approval and Vesting Order has not been issued and entered by the CCAA Court by February 21, 2021 (subject to the availability of the Court) or such later date agreed to in writing by the Purchaser, acting reasonably, Purchaser, may terminate this Agreement.
- (e) If the Approval and Vesting Order relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, the Company agrees (subject to the available liquidity of the Company) to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.
- (f) The Company agrees, that the Approval and Vesting Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Shares shall be transferred to the Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances.

ARTICLE 8 CLOSING ARRANGEMENTS

8.1 Closing

Closing shall take place on the Closing Date, effective as of the Closing Time, electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format, in accordance with the Implementation Steps.

8.2 Implementation Steps

On the Closing Date, subject to the terms of the Approval and Vesting Order, Closing shall take place in accordance with the Implementation Steps. The Purchaser may, with the prior consent of the Company and the Monitor, acting reasonably, amend the Implementation Steps provided that such amendment does not materially alter or impact the Transaction or the consideration which the Company and/or its applicable stakeholders will benefit from as part of the Transaction.

8.3 Company's Closing Deliveries

At or before the Closing Time, the Company shall deliver or cause to be delivered to the Purchaser the following:

- (a) the Purchased Shares;
- (b) a copy of the Approval and Vesting Order and the SISP Order, each of which shall be final;

- (c) a certificate of an officer of the Company, dated as of the Closing Date, confirming that all of the representations and warranties contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Company has performed in all material respects the covenants to be performed by it prior to the Closing Time;
- (d) the Organizational Documents of the Company, and the corporate Books and Records; and
- (e) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

8.4 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Company (or to the Monitor, as applicable), the following:

- (a) the Closing Payment;
- (b) certificates of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by them prior to the Closing Time; and
- (c) such other agreements, documents and instruments as may be reasonably required by the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 9 CONDITIONS OF CLOSING

9.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following conditions being satisfied on or prior to the Closing Date:

- (a) Final Orders. Each of the SISP Order and the Approval and Vesting Order shall have been issued and entered by the Court;
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise be in effect that restrains or prohibits the completion of the Transaction.
- (c) Successful Bid. This Agreement will be the Successful Bid (as determined pursuant to the SISP).
- (d) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction.

The foregoing conditions are for the mutual benefit of the Parties and may be waived by the Purchaser and the Company, in whole or in part, without prejudice to any of their rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser or the Company only if made in writing; provided that if the Purchaser or the Company do not waive a condition(s) and completes the Closing, such condition(s) shall be deemed to have been waived by the Purchaser or Company, as the case may be. If any condition set out in Section 9.1 is not satisfied, performed

or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

9.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, on or prior to the Closing Date:

- (a) Implementation Steps. The Implementation Steps shall have been completed in the order and in the timeframes contemplated hereunder.
- (b) Company's Deliverables. The Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.
- (c) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement (including the Approval and Vesting Order), each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.
- (d) No Breach of Covenants. The Company shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by it on or before the Closing Date.
- (e) Employees. The Company shall have terminated the employment of the Terminated Employees
- (f) Permits and Licenses. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied.
- (g) Material Adverse Change. After the date of this Agreement and before the Closing Time, there will not have occurred any Material Adverse Change.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.2 may be waived by the Purchaser in whole or in part, without prejudice to any of their rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 9.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Company and the Monitor to terminate this Agreement.

9.3 Conditions Precedent in favour of the Company

The obligation of the Company to complete the Transaction is subject to the following conditions being satisfied on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 5.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

The foregoing conditions are for the exclusive benefit of the Company. Any condition in this Section 9.3 may be waived by the Company in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Company only if made in writing. If any condition set forth in this Section 9.3 is not satisfied or performed on or prior to the Outside Date, the Company may elect on written notice to the Purchaser to terminate this Agreement.

9.4 Simultaneous Transactions

All actions taken and transactions consummated at the Closing shall be deemed to have occurred in the manner and sequence set forth in the Implementation Steps and the Approval and Vesting Order (subject to the terms of any escrow agreement or arrangement among the Parties relating to the Closing), and no such transaction shall be considered consummated unless all are consummated.

ARTICLE 10 TERMINATION

10.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Company (with the consent of the Monitor) and the Purchaser; or
- (b) by the Purchaser or the Company if: (i) this Agreement is not the Successful Bid or the Back-up Bid (as determined pursuant to the SISP); or (ii) this Agreement is the Back-up Bid and the transaction contemplated by the Successful Bid is closed;
- (c) by the Company (with the consent of the Monitor) or either of the Purchaser, if there has been a material violation or breach by the other Party of any agreement, covenant, representation or warranty of such Party in this Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in ARTICLE 9 by the Outside Date, and such violation or breach has not been waived by the non-breaching Party or cured within five (5) Business Days after written notice thereof from the non-breaching Party to the breaching Party; or
- (d) by the Company (with the consent of the Monitor) or the Purchaser upon written notice to the other Parties if the Closing has not occurred on or prior to the Outside Date; provided that the failure to close by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.
- (e) by the Purchaser, pursuant to Section 7.1(d);
- (f) by the Purchaser, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of the Company or any of the property of the Company, other than with the prior written consent of the Purchaser;
- (g) by the Purchaser or the Company, upon the termination, dismissal or conversion of the CCAA Proceedings;

- (h) by the Purchaser or the Company and, upon dismissal of the motion for the Approval and Vesting Order (or if any such order is stayed, vacated or varied without the consent of the Purchaser); and
- (i) by the Purchaser or the Company, if a court of competent jurisdiction, including the CCAA Court or other Governmental Authority has issued an Order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of Closing and such Order or action has become a final order.

The Party desiring to terminate this Agreement pursuant to this Section 10.1 (other than pursuant to Section 10.1(a)) shall give written notice of such termination to the other Party or Parties, as applicable, specifying in reasonable detail the basis for such Party's exercise of its termination rights.

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder.

ARTICLE 11 GENERAL

11.1 Access to Books and Records

For a period of six (6) years from the Closing Date or for such longer period as may be required to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser are not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Purchaser shall make such Books and Records, as well as electronic copies of such books and records (to the extent such electronic copies exist), available to the Monitor and the Company (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Company) at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

11.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

- (a) in the case of the Purchaser, as follows:

**PEL Chartered Professional Accountants Inc. and
The CA Mordy Legacy Trust**
4664 Lougheed Hwy. #201
Burnaby, BC V5C 5T5

Attention: Doug Mordy
Email: Doug@appara.ai

And

Boxer Capital Corp.
Suite 1000-3707 West 7th Ave
Vancouver, BC V6R 1W7

Attention: Jake Boxer
Email: jake@boxercapital.com

with a copy to:

Osler, Hoskin & Harcourt LLP
Suite 3000, Bentall Four
1055 Dunsmuir Street
Vancouver, BC V7X 1K8

Attention: Mary Buttery / Justin Kanji
Email: mbuttery@osler.com / jkanji@osler.com

in the case of the Company, as follows:

Felix Payment Systems Ltd.
1400-355 Burrard Street
Vancouver, BC V6B 2G8

Attention: Andrew Cole
Email: andrew.cole@payfelix.com

with a copy to:

McCarthy Tétrault LLP
745 Thurlow Street, Suite 2400
Vancouver, BC V6E 0C5

Attention: Lance Williams / Ashley Bowron
Email: lwilliams@mccarthy.ca / abowron@mccarthy.ca

(b) in each case, with a further copy to the Monitor as follows:

Alvarez & Marsal Canada Inc.
925 West Georgia Street, Suite 902
Vancouver, BC V6C 3L2

Attention: Anthony Tillman / Taylor Poirier
Email: atillman@alvarezandmarsal.com / tpoirier@alvarezandmarsal.com

with a copy to:

Cassels Brock & Blackwell LLP
885 West Georgia St, Suite 2200
Vancouver, BC V6C 3E8

Attention: Vicki Tickle / Mihai Tomos
Email: vtickle@cassels.com / mtomos@cassels.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Vancouver time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Vancouver time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

11.3 Public Announcements

The Company shall be entitled to disclose this Agreement to the Court and parties in interest in the CCAA Proceedings, other than any information which the Purchaser advise the Company in writing as being confidential, and this Agreement may be posted on the Monitor's website maintained in connection with the CCAA Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Company, the Purchaser or any their respective Affiliates and assignees under Applicable Laws or stock exchange rules, the Company shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transactions contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

11.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

11.5 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

11.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

11.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by the Company and the Purchaser.

11.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with the Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

11.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of British Columbia therefrom.

11.10 Assignment

- (a) Any Purchaser may assign its rights under this Agreement prior to Closing, in whole or in part, without the prior written consent of the Company, ResidualCo or the Monitor, provided that: (i) the Purchaser provides prior notice of such assignment to the Company and the Monitor; and (ii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.
- (b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Company without the consent of the Purchaser.

11.11 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

11.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

11.13 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

11.14 Monitor's Certificate

When the conditions to Closing set out in Section 9.1, 9.2 and Section 9.3 have been satisfied and/or waived by the Company or the Purchaser, as applicable, the Company, the Purchaser or their respective counsel will each deliver to the Monitor confirmation that such conditions of Closing, as applicable, have been satisfied and/or waived (the “**Conditions Certificates**”). Upon receipt of the Conditions Certificates, the Monitor shall: (i) issue forthwith its Monitor's Certificate concurrently to the Company and the Purchaser, at which time the Implementation Steps will be deemed to have commenced and be completed in the order set out in the Implementation Steps and Closing will be deemed to have occurred; and (ii) file as soon as practicable a copy of the Monitor's Certificate with the Court (and shall provide a true copy of such filed certificate to the Company and the Purchaser). In the case of: (i) and (ii) above, the Monitor will be relying

exclusively on the basis of the Conditions Certificates without any obligation whatsoever to verify the satisfaction or waiver of the applicable conditions.

11.15 Amendment and Waiver

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement (including the Schedules hereto) shall be binding unless executed in writing by all Parties hereto, and provided that such amendment is consented to by the Monitor. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

11.16 Monitor's Capacity

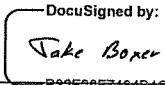
In addition to all of the protections granted to the Monitor under the CCAA or any order of the Court in this CCAA Proceeding, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[Signature Page Follows]

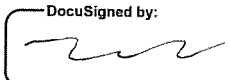
IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

For the Purchasers:

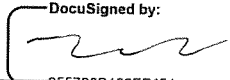
JAKE BOXER

By: 
DocuSigned by: B32F20F7134B4C7...
 Name: Jake Boxer

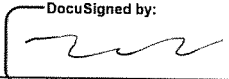
DOUG MORDY

By: 
DocuSigned by: 955790B130EF454...
 Name: Doug Mordy

CA MORDY LEGACY TRUST

By: 
DocuSigned by: 955790B130EF454...
 Name: Doug Mordy
 Title: Authorized Signatory
 I have authority to bind the Corporation.

PEL CHARTERED PROFESSIONAL ACCOUNTANTS INC.

By: 
DocuSigned by: 955790B130EF454...
 Name: Doug Mordy
 Title: Authorized Signatory
 I have authority to bind the Corporation.

For the Company:

FELIX PAYMENT SYSTEMS LTD.

By: _____
 Name:
 Title:
 I have authority to bind the Corporation.

EXHIBIT "A"
IMPLEMENTATION STEPS

1. At least three (3) days prior to the Approval and Vesting Order Hearing Date, the Company shall incorporate and organize ResidualCo.
2. Effective as of the Closing Time, the following steps shall take place sequentially pursuant to the Approval and Vesting Order:
 - (a) ResidualCo shall be added to the CCAA Proceeding as an applicant;
 - (b) all Employees designated by the Purchaser as Terminated Employees will be terminated by the Company;
 - (c) the Excluded Contracts and Excluded Liabilities shall transfer to, and vest in, ResidualCo;
 - (d) to the extent required by Applicable Law, the Articles of Reorganization shall be filed or deposited with the applicable Governmental Authority or other Person;
 - (e) the Company shall issue the Purchased Shares to the Purchaser;
 - (f) the Company's Existing Shares shall be cancelled for no consideration pursuant to the Approval and Vesting Order;
 - (g) the Purchaser shall satisfy the Purchase Price in accordance with the terms of this Agreement;
 - (h) from the Closing Payment, the Monitor shall pay the CCAA Charge Amount, the Priority Payments and the Administrative Wind-down Amount in accordance with Section 3.2 of this Agreement;
 - (i) Closing shall be deemed to have occurred;
 - (j) any and all Liabilities arising from or relating to: (i) the transactions noted above; and (ii) the transfer of the, Excluded Assets, Excluded Contracts and Excluded Liabilities to ResidualCo; including, for certainty and without limitation, Liabilities and Taxes resulting from any debt forgiveness, shall be transferred to ResidualCo and the Company shall have no obligations in connection with such Liabilities or Taxes; and
 - (k) the CCAA Proceedings shall be terminated.

The Parties agree that this Exhibit "A" remains subject to further revision no less than two (2) days prior to Closing.

SCHEDULE "A"
EXCLUDED ASSETS

1. The Excluded Contracts.

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a non-exhaustive list of the Excluded Contracts:

1. Any and all other contracts of the Purchased Entities other than the Assumed Contracts.

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Purchased Entities may be bound as at the Closing Time.
2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any Court ordered charge granted therein, unless otherwise explicitly stated herein.
3. Any and all Liabilities incurred under any oral or written agreement between the Company and any third party for the supply of goods and/or services, including without limitation all trade claims, trade payables, utility bills, service fees (including legal fees) or other unsecured claims excluding the Assumed Trade Payables.
2. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.
3. Any and all funded indebtedness other than as related to the DIP Lender's Charge and First Lien Charge.
4. Any and all Liabilities associated with guarantees of the Company.
5. Any and all Employee Termination Costs.
6. Any and all Liabilities otherwise owed in connection with or pursuant to the Existing Shares.
7. All Liabilities of the Company relating to legal Claims brought against the Company and/or their Affiliates in respect of the period prior to the Closing Date.
8. Any and all Liabilities that are not Assumed Liabilities.

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

SCHEDULE "D"
PERMITTED ENCUMBRANCES

1. DIP Lender's Charge to be discharged on Closing.
2. First Lien Charge.

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

SCHEDULE "E"
ASSUMED LIABILITIES

1. All Liabilities related to the Permitted Encumbrances.

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

SCHEDULE "F"
ASSUMED CONTRACTS

The following is a comprehensive list of Assumed Contracts:

[Note: Schedule to be completed no later than five (5) Business Days before the Approval and Vesting Order Hearing.]

This is **Exhibit "B"** referred to in **Affidavit #2** of **Andrew Cole**, sworn before me at Vancouver, British Columbia, this 3rd day of December, 2024.

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

A Commissioner for taking Affidavits
for British Columbia

Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
For the 13-week period ending March 2, 2025'
SCAD 000s

Week ending	Notes	Week 1 8-Dec	Week 2 15-Dec	Week 3 22-Dec	Week 4 29-Dec	Week 5 5-Jan	Week 6 12-Jan	Week 7 19-Jan	Week 8 26-Jan	Week 9 2-Feb	Week 10 9-Feb	Week 11 16-Feb	Week 12 23-Feb	Week 13 2-Mar	Total
Receipts															
Sales	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200
Other receipts	3	-	20	-	15	-	-	15	-	-	-	15	-	-	65
Total receipts		-	20	-	215	-	-	15	-	-	-	15	-	-	265
Operating disbursements															
Payroll	4	5	134	21	134	5	-	141	1	146	-	141	-	146	876
KERP	5	-	31	-	-	-	-	-	-	-	-	-	-	64	95
Office rent	6	27	-	-	-	27	-	-	-	27	-	-	-	27	109
Insurance	7	5	-	-	-	5	-	-	-	5	-	-	-	5	20
Subscriptions	8	6	4	3	13	2	3	3	13	2	3	3	13	2	71
Security certification	9	-	-	-	-	-	14	-	-	-	-	-	-	-	14
Utilities and other		1	1	1	1	1	1	1	1	1	1	1	1	1	10
Contingency		-	-	-	-	25	-	-	-	-	-	-	-	-	25
Total operating disbursements		44	170	25	148	65	18	145	15	181	4	146	14	245	1,220
Other disbursements															
Hardware and other miscellaneous	10	3	2	-	-	32	-	-	-	-	-	-	-	-	37
Trade payables	11	160	185	-	-	176	-	-	-	-	-	-	-	-	521
Professional fees	12	150	239	-	-	85	-	75	-	85	30	135	-	-	799
DIP fee	13	8	42	-	-	-	-	-	-	-	-	-	-	-	50
Total other disbursements		365	639	25	148	357	18	220	15	266	34	281	14	245	2,626
Net cash flow		(365)	(618)	(25)	67	(357)	(18)	(205)	(15)	(266)	(34)	(266)	(14)	(245)	(2,361)
Cash position															
Beginning cash balance		441	76	58	33	100	242	224	19	355	88	305	39	275	441
Net cash flow		(365)	(618)	(25)	67	(357)	(18)	(205)	(15)	(266)	(34)	(266)	(14)	(245)	(2,361)
DIP draws (repayment)	13	-	600	-	-	500	-	-	350	-	250	-	250	-	1,950
End cash balance		\$ 76	\$ 58	\$ 33	\$ 100	\$ 242	\$ 224	\$ 19	\$ 355	\$ 88	\$ 305	\$ 39	\$ 275	\$ 30	\$ 30
Opening DIP balance															
Opening DIP balance		\$ 400	\$ 400	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,512	\$ 1,512	\$ 1,512	\$ 1,862	\$ 1,884	\$ 2,134	\$ 2,134	\$ 2,384	\$ 400
DIP draws (repayment)	13	-	600	-	-	500	-	-	350	-	250	-	250	-	1,950
Accrued interest		-	-	-	-	12	-	-	-	22	-	-	-	37	71
Ending DIP balance		\$ 400	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,512	\$ 1,512	\$ 1,512	\$ 1,862	\$ 1,884	\$ 2,134	\$ 2,134	\$ 2,384	\$ 2,421	\$ 2,421

**Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
Notes and Assumptions**

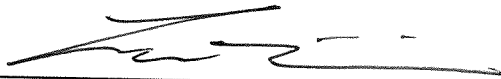
1. The cash flow statement (the "CCAA Cash Flow Forecast") has been prepared by management ("Management") of Felix Payment Solutions Ltd. (the "Company") To set out the liquidity requirements of the Company during the *Companies' Creditors Arrangement Act* proceedings (the "CCAA Proceedings").

The CCAA Cash Flow Forecast is presented on a weekly basis from December 2, 2024 to March 2, 2025 (the "Forecast Period") and represents Management's best estimate of the expected results of operations during the Forecast Period. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below and may be amended from time to time during the CCAA proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

2. Sales receipts of \$200,000 represents the collection of an accounts receivable in respect of a feasibility study performed by the Company.
3. Other receipts of \$65,000 represents the receipt of grant funding over the Forecast Period.
4. Payroll costs of \$876,000 represent expected ongoing payroll costs over the Forecast Period.
5. Key employee retention plan payments of \$95,000 is planned to occur over two milestone dates.
6. Office rent of \$109,000 throughout the Forecast Period represents monthly rent payments in respect of the Company's office in Vancouver, British Columbia.
7. Insurance costs of \$20,000 includes cyber insurance and commercial liability insurance policy premiums.
8. Subscription costs of \$71,000 represent on-going software subscriptions and expected annual renewal payments to maintain business operations.
9. Security certification costs of \$14,000 represent payments on internal testing work required to advance certain certifications.
10. Hardware and other miscellaneous costs of \$37,000 primarily relate to the purchase of new laptops and servers to maintain business operations.
11. Trade payables of \$521,000 represents payment on certain pre-filing accounts payable to select vendors for continuity of essential service contacts and certifications.
12. Professional fees of approximately \$799,000 over the Forecast Period include legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lender, as well as fees to pursue a Chapter 15 filing in the U.S.
13. The First Lien Lenders (as defined in the Pre-Filing Report of the Proposed Monitor) will be providing debtor in possession financing to the Company (the "DIP Facility"). Total draws of \$2.3 million are expected through the Forecast Period.

A commitment fee of \$8,000 and \$42,000 will be deducted against the initial and second draw, respectively, from the DIP Facility. Interest on the DIP Facility is calculated at a rate of 18% per annum, with interest accruing to the principal balance of the DIP Facility on the first day of each month.

This is **Exhibit "C"** referred to in **Affidavit #2** of **Andrew Cole**, sworn before me at Vancouver, British Columbia, this 3rd day of December, 2024.

A handwritten signature in black ink, appearing to be 'A. [unclear]', written over a horizontal line.

A Commissioner for taking Affidavits
for British Columbia

FIRST AMENDING AGREEMENT

This First Amending Agreement (this "**Amendment**") is entered into this 3rd day of December, 2024.

AMONG:

Felix Payment Systems Ltd.

as Borrower

- and -

**Jake Boxer, the CA Mordy Legacy Trust and PEL
Chartered Professional Accountants Inc.**

as DIP Lender

WHEREAS, the Borrower and the DIP Lender entered into a DIP Facility Term Sheet dated November 19, 2024 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified to the date hereof, the "**DIP Term Sheet**");

AND WHEREAS, the parties hereto wish to amend the DIP Term Sheet on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Interpretation.
 - (a) Capitalized terms used not otherwise defined in this Amendment shall have the respective meanings assigned to them in the DIP Term Sheet.
2. Amendments to the DIP Term Sheet.

The DIP Term Sheet is hereby amended as follows:

- (a) The Section titled "DIP FACILITY" of the DIP Term Sheet is hereby deleted in its entirety and replaced with:
A non-revolving loan (the "**DIP Facility**") up to the maximum principal amount of \$2.35 million (the "**Maximum Amount**"), including an initial advance in an amount of \$350,000 (the "**Initial Advance**").
- (b) Schedule "B" to the DIP Term Sheet is deleted in its entirety and replaced with the Cash Flow Projections attached to this Amendment as Schedule "B".


3. Limited Effect. Except as expressly provided herein, all of the terms and provisions of the DIP Term Sheet and the other DIP Credit Documentation are and shall remain in full force and effect and are hereby ratified and confirmed by the Borrower. The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the DIP Term Sheet or the other DIP Credit Documentation or for any purpose except as expressly set forth herein or a consent to any further or future action on the part of the Borrower that would require the waiver or consent of the DIP Lender.
4. Conditions Precedent. This Amendment shall become effective upon the date (the "**Effective Date**") on which the DIP Lender shall have received:
 - (a) This Amendment, duly executed and delivered by the parties hereto;
 - (b) The Borrower has received an Order of the Court increasing the amount of the DIP Lender's Charge to \$2,350,000; and
 - (c) Such other information and documents as may reasonably be required by the DIP Lender and its counsel in connection with this Amendment.
5. Representations and Warranties. The Borrower hereby represents and warrants to the DIP Lender (before and after giving effect to this Amendment) that:
 - (a) The Borrower has the corporate power and authority, and the legal right, to execute, deliver and perform this Amendment and to obtain extensions of credit under the DIP Term Sheet as amended by this Amendment (the "**Amended DIP Term Sheet**").
 - (b) Borrower has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment and to authorize the extensions of credit on the terms and conditions of the Amended DIP Term Sheet.
 - (c) This Amendment has been duly executed and delivered on behalf of the Borrower. This Amendment and the Amended DIP Term Sheet constitute the legal, valid and binding obligations of the Borrower and are enforceable against the Borrower in accordance with their terms.
 - (d) Each of the representations and warranties made by Borrower herein or in or pursuant to the DIP Credit Documentation is true and correct on and as of the date of this Amendment, as if made on and as of such date.
 - (e) No Event of Default has occurred and is continuing, or will result from this Amendment or any extension of credit under the Amended DIP Term Sheet.
6. Successors and Assigns. This Amendment is binding upon and shall enure to the benefit of the parties to the DIP Term Sheet, and each of their respective permitted successors and permitted assigns.

7. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The Borrower irrevocably submits to the non-exclusive courts of the Province of British Columbia, waives any objections on the ground of venue or forum *non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law
8. Counterparts and Facsimile. This Amendment may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Amendment delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

[Signature Page Follows]

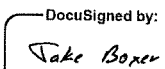
IN WITNESS HEREOF, the Borrower hereby executes this Agreement as of the date first written above.

FELIX PAYMENT SYSTEMS LTD.

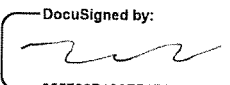
By: 
Name: Andrew Cole
Title: CEO

IN WITNESS HEREOF, the DIP Lender hereby executes this Agreement as of the date first written above.

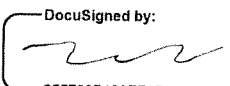
JAKE BOXER

By: 
B32F20F7134B4C7...
Name: Jake Boxer

CA MORDY LEGACY TRUST

By: 
955790B130EF454...
Name: Doug Mordy
Title: Authorized Signatory

PEL CHARTERED PROFESSIONAL ACCOUNTANTS INC.

By: 
955790B130EF454...
Name: Doug Mordy
Title: Authorized Signatory

SCHEDULE “B”
UPDATED CASH FLOW PROJECTIONS
(see attached)

Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
For the 13-week period ending March 2, 2025¹
SCAD 0000s

Week ending	Notes	Week 1 8-Dec	Week 2 15-Dec	Week 3 22-Dec	Week 4 29-Dec	Week 5 5-Jan	Week 6 12-Jan	Week 7 19-Jan	Week 8 26-Jan	Week 9 2-Feb	Week 10 9-Feb	Week 11 16-Feb	Week 12 23-Feb	Week 13 2-Mar	Total
Receipts															
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Other receipts	3	-	20	-	15	-	-	15	-	-	-	15	-	-	65
Total receipts		-	20	-	215	-	-	15	-	-	-	15	-	-	265
Operating disbursements															
Payroll	4	5	134	21	134	5	-	141	1	146	-	141	-	146	876
KERP	5	-	31	-	-	-	-	-	-	-	-	-	-	64	95
Office rent	6	27	-	-	-	27	-	-	-	27	-	-	-	27	109
Insurance	7	5	-	-	-	5	-	-	-	5	-	-	-	5	20
Subscriptions	8	6	4	3	13	2	3	3	13	2	3	3	13	2	71
Security certification	9	-	-	-	-	-	14	-	-	-	-	-	-	-	14
Utilities and other	1	1	1	1	1	1	1	1	1	1	1	1	1	1	10
Contingency	-	-	-	-	-	25	-	-	-	-	-	-	-	-	25
Total operating disbursements		44	170	25	148	65	18	145	15	181	4	146	14	245	1,220
Other disbursements															
Hardware and other miscellaneous	10	3	2	-	-	32	-	-	-	-	-	-	-	-	37
Trade payables	11	160	185	-	-	176	-	-	-	-	-	-	-	-	521
Professional fees	12	150	239	-	-	85	-	75	-	85	30	135	-	-	799
DIP fee	13	8	42	-	-	-	-	-	-	-	-	-	-	-	50
Total other disbursements		365	639	25	148	357	18	220	15	266	34	281	14	245	2,626
Net cash flow		(365)	(618)	(25)	67	(357)	(18)	(205)	(15)	(266)	(34)	(266)	(14)	(245)	(2,361)
Cash position															
Beginning cash balance		441	76	58	33	100	242	224	19	355	88	305	39	275	441
Net cash flow		(365)	(618)	(25)	67	(357)	(18)	(205)	(15)	(266)	(34)	(266)	(14)	(245)	(2,361)
DIP draws (repayment)	13	-	600	-	-	500	-	-	350	-	250	-	250	-	1,950
End cash balance		\$ 76	\$ 58	\$ 33	\$ 100	\$ 242	\$ 224	\$ 19	\$ 355	\$ 88	\$ 305	\$ 39	\$ 275	\$ 30	\$ 30
Operating DIP balance															
Opening DIP balance		\$ 400	\$ 400	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,512	\$ 1,512	\$ 1,512	\$ 1,862	\$ 1,884	\$ 2,134	\$ 2,134	\$ 2,384	\$ 400
DIP draws (repayment)	13	-	600	-	-	500	-	-	350	-	250	-	250	-	1,950
Accrued interest		-	-	-	-	12	-	-	-	22	-	-	-	37	71
Ending DIP balance		\$ 400	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,512	\$ 1,512	\$ 1,512	\$ 1,862	\$ 1,884	\$ 2,134	\$ 2,134	\$ 2,384	\$ 2,421	\$ 2,421

**Felix Payment Systems Ltd.
Second CCAA Cash Flow Forecast
Notes and Assumptions**

1. The cash flow statement (the "CCAA Cash Flow Forecast") has been prepared by management ("Management") of Felix Payment Solutions Ltd. (the "Company") To set out the liquidity requirements of the Company during the *Companies' Creditors Arrangement Act* proceedings (the "CCAA Proceedings").

The CCAA Cash Flow Forecast is presented on a weekly basis from December 2, 2024 to March 2, 2025 (the "Forecast Period") and represents Management's best estimate of the expected results of operations during the Forecast Period. Readers are cautioned that since the estimates are based on future events and conditions that are not ascertainable, the actual results achieved will vary, even if the assumptions materialize, and such variations may be material. There are no representations, warranties or other assurances that any of the estimates, forecasts, or projections will be realized. The projections are based upon certain estimates and assumptions discussed below and may be amended from time to time during the CCAA proceedings. Upon such amendments, Management will update its cash flow forecast accordingly as included herein.

2. Sales receipts of \$200,000 represents the collection of an accounts receivable in respect of a feasibility study performed by the Company.
3. Other receipts of \$65,000 represents the receipt of grant funding over the Forecast Period.
4. Payroll costs of \$876,000 represent expected ongoing payroll costs over the Forecast Period.
5. Key employee retention plan payments of \$95,000 is planned to occur over two milestone dates.
6. Office rent of \$109,000 throughout the Forecast Period represents monthly rent payments in respect of the Company's office in Vancouver, British Columbia.
7. Insurance costs of \$20,000 includes cyber insurance and commercial liability insurance policy premiums.
8. Subscription costs of \$71,000 represent on-going software subscriptions and expected annual renewal payments to maintain business operations.
9. Security certification costs of \$14,000 represent payments on internal testing work required to advance certain certifications.
10. Hardware and other miscellaneous costs of \$37,000 primarily relate to the purchase of new laptops and servers to maintain business operations.
11. Trade payables of \$521,000 represents payment on certain pre-filing accounts payable to select vendors for continuity of essential service contacts and certifications.
12. Professional fees of approximately \$799,000 over the Forecast Period include legal counsel to the Company, the Monitor and its counsel, and counsel to the DIP Lender, as well as fees to pursue a Chapter 15 filing in the U.S.
13. The First Lien Lenders (as defined in the Pre-Filing Report of the Proposed Monitor) will be providing debtor in possession financing to the Company (the "DIP Facility"). Total draws of \$2.3 million are expected through the Forecast Period.

A commitment fee of \$8,000 and \$42,000 will be deducted against the initial and second draw, respectively, from the DIP Facility. Interest on the DIP Facility is calculated at a rate of 18% per annum, with interest accruing to the principal balance of the DIP Facility on the first day of each month.

This is **Exhibit "D"** referred to in **Affidavit #2** of **Andrew Cole**, sworn before me at Vancouver, British Columbia, this 3rd day of December, 2024.

A handwritten signature in black ink, appearing to be 'A. [unclear]', written over a horizontal line.

A Commissioner for taking Affidavits
for British Columbia

KEY EMPLOYEE RETENTION PROGRAM

December 3, 2024

Felix Payment Systems Ltd. ("**Felix**") has obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**") pursuant to an initial order (the "**Initial Order**") obtained from the Supreme Court of British Columbia (the "**Court**") on November 25, 2024. The Initial Order was subsequently amended and restated on December 6, 2024 (as so amended and restated, and as may be further amended or extended, the "**ARIO**"). Capitalized terms referred to herein that are not defined shall have the meaning attributed thereto in the Affidavit No. 3 of Andrew Cole, to be sworn on December 3, 2024 (the "**Confidential Cole Affidavit**").

The initiation of proceedings under the CCAA (the "**CCAA Proceedings**") has created uncertainty among the employees of Felix as to the future viability of the enterprise and their prospects for continued employment, particularly given the anticipated commencement of the SISP (as defined below), which is currently scheduled to begin on or around December 13, 2024. Since the commencement of the CCAA Proceedings, Felix's management has been advised that certain employees have considered seeking alternative employment opportunities. In addition, the lack of employment certainty, and related financial instability that would result from a loss of employment, has the potential to impact employee morale and performance. Felix's management recognizes that its compensation package is currently below market for its employees, which further increases the risk that they will seek alternative employment.

Felix is focused on a comprehensive solution to its fiscal challenges. In the course of the CCAA Proceedings, Felix intends to work diligently towards the restructuring of its affairs (the "**Restructuring Process**"). At present, the Restructuring Process contemplates the completion of a fair, open, and competitive sales and investment solicitation process (the "**SISP**") in respect of Felix and all of its current and future assets, properties, and undertakings.

Felix's senior management believes that the retention of certain specified Eligible Employees (as set out and defined in the attached Schedule "A") will be crucial to completing the SISP in a timely, cost-effective manner, to the benefit of all of Felix's stakeholders. To that end, and subject to obtaining the prior approval of the Court, Felix intends to put in place a Key Employee Retention Program ("**KERP**") in the form attached as **Schedule "A"** hereto, for the purpose of securing the continued service of the Eligible Employees during the Restructuring Process. Under the KERP, the Eligible Employees will receive incentive payments upon certain milestones being achieved in the CCAA Proceedings and the SISP.

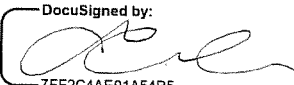
Specifically, the objectives of the KERP include: (i) facilitating the retention of Eligible Employees through advancement of the Restructuring Process; (ii) providing incentives in addition to regular wages to the Eligible Employees to administer the Restructuring Process and implement a successful SISP, without any self-interest on the part of such employees; and (iii) facilitating the efficient and economical operation of the Restructuring Process and the completion of the SISP.

The implementation of the KERP is conditional on obtaining the prior approval of the Court. In addition, to provide a reasonable assurance to the Eligible Employees that their entitlements under the KERP will be satisfied, despite Felix's insolvency, Felix is seeking a Court Order which will grant a priority KERP Charge (as defined in the attached Schedule "A") over the Property (as defined in the ARIO) of Felix, in favour of the beneficiaries of the KERP, in an aggregate amount sufficient to secure payment of all entitlements under the KERP.

The terms of the KERP are private and confidential as amongst and between (i) the Eligible Employees and (ii) any current or future non-eligible employees. Therefore, Felix will require, as a condition of payment under the respective plans, that each Eligible Employee acknowledge and agree to maintain confidentiality as to the terms of the KERP including as to the amount of any payments thereunder.

In addition, given the sensitive and confidential information contained herein, the KERP and a copy of this letter will be appended to an affidavit, and Felix will seek an Order from the Court sealing the affidavit and keeping it out of the public record until further Order of the Court. However, for clarity, Felix does intend to publicly disclose a copy of the KERP which has been redacted to remove all personally identifiable employee information (including the names, salary, and positions of the Eligible Employees, among other things).

FELIX PAYMENT SYSTEMS LTD.

DocuSigned by:

Per: 7EE2C4AE01A54B5
Name: Andrew Cole
Title: Chief Executive Officer

SCHEDULE "A"

FELIX PAYMENT SYSTEMS LTD. KEY EMPLOYEE RETENTION PLAN

Capitalized terms not otherwise defined in this Schedule "A" shall have the meanings ascribed thereto in the letter titled Key Employee Retention Program, dated December 3, 2024 (the "KERP Letter").

Purpose:

The purpose of this KERP is to provide for the retention of Felix's Eligible Employees during Phase 1 (as defined in the written SISP procedures) of the SISP, in addition to the objectives set out in the KERP Letter.

Conditions Precedent:

Felix's obligation to pay the KERP amounts and perform its obligations under this KERP shall be conditional upon Felix obtaining the approval of the Court regarding: (i) this KERP; and, (ii) the granting of the KERP Charge (as defined below).

KERP Payments:

This KERP shall be in the maximum aggregate amount of \$95,000, to be allocated among the Eligible Employees as set out in the attached "Appendix **A-1**" – Allocation" (each such Eligible Employee's respective payment entitlement being, a "**KERP Payments**").

Eligibility:

All individuals, who: (a) remain employees of Felix as of the applicable Triggering Date (as defined below) or have been terminated without cause prior to such Trigger Date, (b) who have not resigned or had their employment terminated for cause prior to the applicable Triggering Date, and (c) are listed on the attached "Appendix **A-1**" – Allocation" shall be eligible to receive installment payments under this KERP (the "**Eligible Employees**" and each an "**Eligible Employee**").

The column titled "Role" in the attached "Appendix **A-1**" – Allocation" sets out Felix's senior management's assessment of the justification for including such persons as Eligible Employees. For clarity, the "Role" column is not comprehensive or exhaustive but sets out a summary of the most critical services to be provided by the applicable Eligible Employee.

Triggering Date:

The KERP Payments will become payable to the Eligible Employees on the following events:

- (a) the first payment indicated on Schedule "A" as the 'First KERP Payment' upon Court approval of the KERP and the KERP Charge; and
- (b) the second payment indicated on Schedule "A" as the 'Second KERP Payment' upon the earlier of: the closing of a sale pursuant to the SISP or any other sale of all or substantially all of the assets of Felix, the implementation of a plan of arrangement in the CCAA Proceedings, the termination of the CCAA Proceedings, or the termination of all of substantially all of the employees of Felix,

(each a "**Triggering Date**").

The KERP Payments set out in the attached "**Appendix "A-1" – Allocation**" are gross amounts. Applicable withholdings will be deducted from the KERP Payments allocated to Eligible Employees and the amounts paid to Eligible Employees under this KERP will be net of such withholdings.

The determination of Felix with respect to the entitlement to and the respective allocation of KERP Payments will be final and binding on the Eligible Employees and no Eligible Employee will have any claim or recourse against the officers, directors or shareholders of Felix in respect of any matter relating to this KERP.

If an individual who would otherwise be an Eligible Employee has resigned or had their employment terminated for cause on or before the date that any KERP Payment under this KERP is due, the entitlement of such individual to receive such future amount under this KERP shall cease and the individual will not receive and will have no claim for any amounts under this KERP.

Security:

Subject to obtaining Court approval, payment of the KERP Payments shall be secured by a priority charge over all of the Property (as defined in the ARIO) (the "**KERP Charge**"). It is contemplated that the KERP Charge will rank subordinate to the Administration Charge, the DIP Lender's Charge, and the Directors' Charge (each as defined in the ARIO), as well as the charge in favour of Royal Bank of Canada in relation to certain amounts held on deposit with them and registered in the Personal Property Registry of British Columbia as Base Registration No. 355037N.