

REDACTED APS

AGREEMENT OF PURCHASE AND SALE

Made as of the 5th day of May, 2009

Between

SERTAPAK INC.,
(the "Vendor")

and

CHALMERS INTERNATIONAL HOLDINGS INC.
or a nominee Corporation to be formed prior to Closing
(the "Purchaser")

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AGREEMENT OF PURCHASE AND SALE

This Agreement is made as of the 5th day of May, 2009 between

SERTAPAK INC.,

a corporation incorporated under the laws
of the Province of Ontario, having its head office
at Woodstock, Ontario

(the "Vendor")

and

CHALMERS INTERNATIONAL HOLDINGS INC.,

a corporation incorporated under the laws
of the Province of Ontario, having its head office at Mississauga, Ontario,
or a nominee Corporation to be formed prior to Closing

(the "Purchaser")

RECITALS

A. Pursuant to an order of the Honourable Mr. Justice Campbell of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated Tuesday, the 20th day of January, 2009 the Vendor was granted protection under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA").

B. Pursuant to an order of the Honourable Mr. Justice H. J. Wilton-Siegel dated Wednesday, the 18th day of February, 2009, the Vendor was authorized to conduct a marketing and sales process with respect to some or all of the property of the Vendor, including the Assets (as defined herein), and to negotiate an agreement of purchase and sale with respect thereto, subject to the approval of the Court.

C. The Vendor desires to sell the Assets and the Purchaser desires to purchase the Assets, as more particularly set out herein, subject to the terms and conditions hereof.

FOR VALUE RECEIVED, the parties agree as follows:

SECTION 1 – INTERPRETATION

1.1 Definitions

In this Agreement:

- (a) **Accounts Receivable** means the accounts receivable of the Vendor, as at 12:01 am on the Closing Date;
- (b) **Agreement** means this Agreement of Purchase and Sale;

- (c) **Approval and Vesting Order** has the meaning set out in Section 4.3(a) and Schedule 10;
- (d) **Assets** means the Current Assets, Equipment, Intellectual Property and Contracts of the Vendor on the Closing Date;
- (e) **Assumed Obligations** has the meaning set out in Section 2.4;
- (f) **BDC Loan** means the indebtedness owing by the Vendor to the Business Development Corporation (the "BDC") in the approximate amount of [REDACTED];
- (g) **Business Day** means a day on which banks are open for business in the City of Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario;
- (h) **CCAA** has the meaning set out in the Recitals hereto;
- (i) **Closing** means the successful completion of the Transaction;
- (j) **Closing Date** means the Business Day following the date on which the Approval and Vesting Order is granted or May 29, 2009, whichever is later, or such earlier or later day as the parties may agree;
- (k) **Closing Inventory Amount** means the dollar amount of the Inventory, based on Unit Cost, as at 12:01 am on the Closing Date;
- (l) **Closing Working Capital Amount** means an amount equal to the value of the Current Assets less the value of the Current Liabilities as at 12:01 am on the Closing Date;
- (m) **Contracts** means the agreements related to the operation of the Vendor's business, including the Leases, as set out in Schedule 1;
- (n) **Court** has the meaning set forth in the Recitals hereto;
- (o) **Current Assets** means the Accounts Receivable and Inventory, together with the prepaid expenses of the Vendor (including those under the Leases, such as prepaid realty taxes, operating expenses, utility charges, security deposit, prepaid rent, together with any interest accruing thereon) and the Century Services Reserve and SRED tax credits (being all current assets listed on Schedule 9);
- (p) **Current Liabilities** means the outstanding accounts payable and accrued liabilities of the Vendor referred to in Schedule 9, adjusted to the Closing Date as provided in Section 2.8;
- (q) **Deposit** has the meaning set out in Section 2.7;

- (r) **Employees** means the employees of the Vendor listed on Schedule 2;
- (s) **Equipment** means all machinery, manufacturing equipment, office equipment, office furniture, computers and ancillary equipment, trade fixtures, material handling equipment, implements, tools and other tangible property used in connection with the business of the Vendor, including those set out in Schedule 3;
- (t) **ETA** means the *Excise Tax Act* (Canada);
- (u) **Excluded Assets** means all assets and property of the Vendor not specifically included as Assets and, for greater certainty, Excluded Assets include, without limitation, all cash, and cash equivalents and tax receivables and/or credits and other government credits (other than a SRED credit receivable, which is included in Current Assets) to which the Vendor is or may become entitled as set forth in Schedule 4;
- (v) **GST** means all goods and service taxes imposed under Part IX of the ETA;
- (w) **Independent Accountant** has the meaning set out in Section 2.9;
- (x) **Intellectual Property** means the intellectual property used in connection with the business of the Vendor as set forth in Schedule 5;
- (y) **Inventory** means all of the Vendor's (i) raw materials; (ii) work in progress; and (iii) finished goods, as at the Closing Date, including all obsolete and unsalable inventory, whether or not any value is assigned thereto;
- (z) **Landlord** means Hunet Corporation;
- (aa) **Leases** means (i) the real property lease (the "Real Property Lease") between the Landlord and the Vendor, as tenant, dated as of October 1, 2007 and all agreements to lease, leases and renewal agreements relating thereto, together with all respective security, guarantees and indemnities of the Vendor's obligations thereunder as described in Schedule 1 hereto, and (ii) the equipment leases described and listed in Schedule 1;
- (bb) **Monitor** means BDO Dunwoody Limited in its capacity as Court appointed Monitor;
- (cc) **Parties** means the Vendor and the Purchaser;
- (dd) **Permitted Encumbrances** has the meaning set forth in Schedule 7;
- (ee) **Purchase Price** has the meaning set out in Section 2.6;
- (ff) **Purchaser** means Chalmers International Holdings Inc;
- (gg) **RST** means the retail sales tax imposed under the *Retail Sales Tax Act* (Ontario);

- (hh) **Target Working Capital Amount** means [REDACTED] being the net working capital position estimated at May 2, 2009 as per Schedule 9;
- (ii) **Time of Closing** means 2:00 p.m. (EST) on the Closing Date or such other time on the Closing Date as the parties may mutually agree to close the Transaction;
- (jj) **Transaction** means the transaction of purchase and sale and assignment and assumption contemplated by this Agreement;
- (kk) **Unit Cost** means the cost of a particular item of Inventory (other than Inventory which is obsolete or unsaleable) as determined by the books and records of the Vendor in accordance with the Vendor's historical practice;
- (ll) **Vendor** means Sertapak Inc.; and
- (mm) **Working Capital Adjustment Amount** means the amount by which the Target Working Capital Amount is less than or greater than the Closing Working Capital Amount.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof.

1.3 Extended Meanings

Words importing the singular include the plural and vice versa, words importing gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations, corporations and governmental authorities. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings.

1.4 Schedules

The following Schedules are incorporated in and form part of this Agreement:

Schedule 1	Contracts
Schedule 2	Employees
Schedule 3	Equipment
Schedule 4	Excluded Assets
Schedule 5	Intellectual Property
Schedule 6	Omitted

Schedule 7	Permitted Encumbrances
Schedule 8	Purchase Price Allocation
Schedule 9	Target Working Capital Amount Schedule
Schedule 10	Form of Approval and Vesting Order
Schedule 11	Bill of Sale, Assignment and Assumption

SECTION 2 – SALE AND PURCHASE AND ASSIGNMENT

2.1 Sale and Purchase of Assets

Subject to the terms and conditions hereof, on the Closing Date, the Vendor, exercising the powers granted pursuant to the Approval and Vesting Order, shall sell to the Purchaser, and the Purchaser shall purchase from the Vendor, the Vendor's right, title and interest in and to the Assets. The Purchaser acknowledges that it is not purchasing any Excluded Assets.

2.2 Assignment and Assumption of Contracts

Subject to the conditions and terms hereof, on the Closing Date, the Vendor shall assign to the Purchaser all of the Vendor's right, benefit and interest in and to any Contracts included in the Assets and the Purchaser shall assume the obligations and liabilities of the Vendor under all such Contracts arising on or after the Closing Date.

This Agreement and any document delivered under this Agreement shall not constitute an assignment or an attempted assignment of any Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third party if such consent has not been obtained, or if such assignment or attempted assignment would constitute a breach of such Contract.

Without limiting the generality of the foregoing, the Parties shall, specifically, enter into assignment and assumption agreements in respect of each of the Leases to be delivered on Closing, pursuant to which the Vendor will assign to the Purchaser and the Purchaser will assume all of the Vendor's right, title and interest in and to the Leases, in the form agreed to by the Parties acting reasonably, together with the consent of the Landlord and each Lessor (if applicable). The Purchaser shall, as tenant or Lessee, assume the Leases on Closing and pay all rent and other amounts payable under the Lease(s) when due, and perform all obligations of the Vendor under the Lease(s) with respect to the period on and after the Closing Date in accordance with the provisions of the Lease(s). The Purchaser shall not have the ability to claim from the Vendor any rent or payments (as defined in the Lease(s)) and any arrears owing under the Lease(s) prior to the date of assumption of the Lease(s).

Except as provided in the last sentence of the above paragraph, the Purchaser covenants and agrees to indemnify and save the Vendor harmless from any and all demands, suits, actions, claims, damages, costs and expenses of any nature arising pursuant to the Lease(s).

2.3 "As is, Where is"

The Purchaser acknowledges that the Vendor is selling the Assets on an "as is, where is" basis as they shall exist on the Closing Date. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not warrant title to the Assets and that the Purchaser has conducted such inspections of the existence, nature, terms, attributes, features, capabilities, condition of and title to the Assets as it deemed appropriate and has satisfied itself with regard to these matters. No representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. Without limiting the generality of the foregoing, any and all conditions, warranties or representations expressed or implied pursuant to the *Sale of Goods Act* (Ontario) or similar legislation do not apply hereto and are hereby waived by the Purchaser. The description of the Assets contained in the Schedules hereto is for the purpose of identification only. No representation, warranty or condition has been or will be given by the Vendor concerning the completeness or the accuracy of such descriptions.

2.4 Employees and Assumed Obligations; Termination of Employees by Vendor

The Purchaser shall offer employment to such of the Employees listed on Schedule 2 as Purchaser considers to be required for the current volume of business of the Vendor, if any, with such employment to become effective from and after the Closing Date, the terms and conditions of such offers to be determined by the Purchaser in its sole discretion based on the market conditions including the benefits. The Purchaser estimates that [REDACTED] salaried employees may not be required for the current level of the business activity. The Purchaser shall provide the list within 5 working days after the agreement is signed. The Purchaser may adjust the number of employees required based on the business outlook at the time of the closing.

The Vendor will terminate all Employees on Closing and will pay all wages and vacation pay owing or accruing due to all Employees up to the Time of Closing.

In connection with its acquisition of the Assets, the Purchaser shall assume the following liabilities on Closing (the "Assumed Obligations"):

- (a) the Purchaser shall assume the Current Liabilities; and
- (b) the Purchaser shall assume all of the Vendor's obligations under the Contracts arising on or after the Closing Date.

The Purchaser hereby agrees to fulfill all Assumed Obligations and to fully indemnify and hold harmless the Vendor in respect thereof. If so required by the Vendor, either prior to, or at any time following Closing, the Purchaser, at its own expense, shall enter into such specific indemnity agreement(s) and assumption agreement(s) as the Vendor may reasonably require with respect to any Assumed Obligations.

2.5 Excluded Obligations

Other than the Assumed Obligations, the Purchaser shall not assume and shall not be liable for any other liabilities or obligations of the Vendor. For greater certainty, while the Current Liabilities may include amounts owing to the plan administrator under benefit plans, the Purchaser is not assuming any benefit plans of the Vendor.

2.6 Purchase Price

The purchase price for the Assets (the "Purchase Price") shall be a total of [REDACTED], allocated as set out in Schedule 8 and subject to adjustment after Closing based on the actual value of the Current Assets at Closing as set out in Section 2.8 below.

2.7 Payment of the Purchase Price

Subject to this Agreement the Purchaser shall pay the Purchase Price (before adjustment pursuant to Section 2.8) to the Vendor as follows:

- (a) the sum of [REDACTED] shall be paid by the Purchaser upon execution of this Agreement as a deposit (the "Deposit") to be held by the Monitor in trust until the Closing and distributed in accordance with Section 2.8;
- (b) as to an amount equal to the amount of the BDC Loan as of the Time of Closing (being approximately [REDACTED] either, at the option of the Purchaser, (i) by the assumption by the Purchaser of the BDC loan on the Closing on terms and conditions which result in the release of all guarantee obligations of shareholders of the Vendor who have guaranteed the BDC Loan (the "Guarantors") and which are otherwise acceptable to BDC and the Purchaser, or (ii) by payment by the Purchaser to the Monitor of such amount, in cash, to be immediately applied by the Monitor to repay the BDC Loan, or (iii) by delivery by the Purchaser of an undertaking to the Vendor, the Monitor and the Guarantors in form and terms acceptable to such parties, acting reasonably, to repay in full the BDC Loan within thirty (30) days of the Closing;
- (c) as to an amount equal to the Current Liabilities to be assumed by the Purchaser on the Closing as set forth in Schedule 9 (being approximately [REDACTED]), by the assumption of such liabilities on Closing, such amount to be subject to adjustment pursuant to Section 2.8;
- (d) as to the sum of [REDACTED] by the assumption by the Purchaser on Closing of [REDACTED] of the indebtedness owing by the Vendor to shareholders of the Vendor (with any such indebtedness not assumed by Purchaser to remain an obligation of the Vendor) on terms as to repayment acceptable to the Purchaser to be negotiated by the Purchaser and the shareholders prior to Closing; and
- (e) the balance shall be paid in cash on Closing; and

- (f) applicable GST and RST shall be paid at the Time of Closing.

Unless otherwise agreed, all amounts payable to the Monitor or the Vendor by the Purchaser shall be paid to the Monitor or Vendor by certified cheque, bank draft issued by a Canadian chartered bank or wire transfer of immediately available funds to an account specified by the payee.

2.8 Purchase Price and Closing Payment Adjustment

The Purchase Price and the amounts paid by the Purchaser on Closing in satisfaction thereof shall be adjusted in accordance with this Section 2.8

- (a) As soon as practicable following the Closing, and in any event no later than ten (10) Business Days following the Closing Date, the Vendor shall prepare and deliver to the Purchaser, for its review, (i) a calculation of the Working Capital Adjustment Amount, (ii) a schedule detailing the calculation of the Closing Working Capital Amount, which schedule shall be in the form of, and shall contain the line items set out in, the Target Working Capital Amount Schedule and (iii) a revised version of Schedule 8 incorporating therein the values of the Current Assets at the Time of Closing in substitution for the values based on estimates now shown. For greater certainty, the calculation of the Inventory as at 12:01 am on the Closing Date shall be such number as is determined in accordance the provisions of paragraph (d) below. If the Purchaser does not give a notice of disagreement in accordance with Section 2.9, below, the Purchaser shall be deemed to have accepted the draft calculations of the Working Capital Adjustment Amount and Closing Working Capital Amount prepared by the Vendor which shall be final and binding on the Parties and the draft calculation of Working Capital Adjustment Amount shall constitute the Working Capital Adjustment Amount for purposes of this Agreement immediately following the expiry date for the giving of such notice of disagreement.
- (b) Upon determination of the Working Capital Adjustment Amount, the amounts allocated to Current Assets in Schedule 8 shall be adjusted to equal the values of the Current Assets at Closing as determined for purposes of the Working Capital Adjustment Amount, The Purchase Price shall be adjusted to equal the total for all Assets shown in Schedule 8 after such adjustment, the amount of the Current Liabilities assumed by the Purchaser at Closing shall be adjusted to equal the value of the Current Liabilities at Closing as determined for purposes of the Working Capital Adjustment Amount, and the cash payment made by the Purchaser to the Vendor on Closing shall be adjusted based on the adjusted Purchase Price and adjusted Current Liabilities Amounts, and:
- (i) if the adjustment to the cash payment is a negative number, the adjustment shall be paid and satisfied, firstly, out of the Deposit, and if the adjustment is in excess of the Deposit, then by payment of such excess amount by the Vendor to the Purchaser; or

- (ii) if the adjustment to the cash payment is a positive number, the adjustment shall be paid and satisfied by payment of such adjustment by the Purchaser to the Vendor.
- (c) For the purposes of this Section 2.8 the Working Capital Adjustment Amount and the components thereof shall be considered final upon the earlier of (i) deemed acceptance by the Purchaser of the draft calculations of the Working Capital Adjustment Amount and the Closing Working Capital Amount as contemplated in paragraph (a) above; (ii) the resolution by the Independent Accountant of all disputes in respect thereof pursuant to Section 2.9; and (iii) a mutual agreement of the Parties in respect of the determination of the Working Capital Adjustment Amount.
- (d) Forthwith following the Closing, the Parties shall determine the Closing Inventory Amount by way of an inventory count to be jointly conducted by representatives of the Vendor and Purchaser.

2.9 Dispute Settlement

If the Purchaser disagrees with any item in the draft calculation of the Working Capital Adjustment Amount and/or the Closing Working Capital Amount, both prepared pursuant to Section 2.8(a), the Purchaser shall give notice to the Vendor of such disagreement no later than ten (10) Business Days after delivery of such calculation. Any notice of disagreement given by the Purchaser shall set forth in detail the particulars of such disagreement. The Parties shall then use reasonable efforts to resolve such disagreement for a period of ten (10) days following the giving of such notice. If the matter is not resolved by the end of such ten (10) day period, then such disagreement shall be submitted by the Parties to an accounting firm of recognized national standing in Canada, which is independent of the Parties and the Monitor (the "Independent Accountant"). If the Parties are unable to agree on the Independent Accountant within a further five (5) day period, any one of them may apply under the *Arbitration Act, 1991* (Ontario) to have a court appoint such accounting firm. The Independent Accountant shall, as promptly as practicable (but in any event within ten (10) days following its appointment), make a determination of the Working Capital Adjustment Amount based solely on written submissions submitted by the Parties to the Independent Accountant. The decision of the Independent Accountant as to the Working Capital Adjustment Amount shall be final and binding upon the Parties and shall constitute the Working Capital Adjustment Amount for purposes of this Agreement. The Purchaser and the Vendor shall each pay one-half of the fees and expenses of the Independent Accountant with respect to the resolution of the dispute.

2.10 The Deposit

The Monitor shall cause the Deposit to be placed in an interest bearing account or certificate of deposit, and the Deposit shall be paid to the Purchaser or the Vendor, as applicable, in accordance with the provisions of Section 2.8, unless the Purchaser forfeits the Deposit as provided below, in which event the Deposit, plus all interest earned thereon shall be paid to the Vendor. Any portion of the Deposit remaining following the payment of such adjustments shall be paid to the Vendor. Any payment to be made pursuant to this Section 2.10 shall be made by

certified cheque, bank draft issued by a Canadian chartered bank or wire transfer of immediately available funds to an account specified by the payee, together with interest earned or accrued thereon.

2.11 Taxes

The Purchaser shall be liable and shall pay upon Closing, in addition to the Purchase Price, all applicable federal and provincial taxes exigible in connection with the purchase and sale of the Assets including, without limitation, GST and RST. With respect to the RST, where applicable, the Purchaser shall have the option to furnish the Vendor with appropriate Purchase Exemption Certificate(s).

Alternatively, to the extent appropriate, Purchaser and Vendor shall jointly make the election provided for under subsection 167(1) of the ETA such that no GST will be payable in respect of the transactions contemplated by this Agreement. Purchaser and Vendor shall jointly complete the prescribed election form (more particularly described as form GST44E) in respect of such election and the Purchaser shall file the election in the manner and time prescribed by the ETA.

The Purchaser agrees to indemnify and save the Vendor harmless from and against all assessments, claims and demands for payment of the above-mentioned taxes including penalties and interest thereon and any liability or costs incurred as a result of the Vendor's failure to collect the applicable RST or GST if the section 167 election is not accepted by the Canada Revenue Agency.

SECTION 3 – REPRESENTATIONS AND WARRANTIES

3.1 Purchaser's Representations

The Purchaser represents and warrants to the Vendor that:

- (a) the Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario;
- (b) the Purchaser has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement and the consummation of the transactions contemplated have been duly authorized by all necessary corporate action on the part of the Purchaser;
- (c) the Purchaser is not a party to, bound or affected by or subject to any indenture, agreement, instrument, charter or by-law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the performance by it of any of the terms contained herein;
- (d) there is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or,

to the best of the Purchaser's knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the transactions contemplated and the Purchaser is not aware of any existing ground on which any action, suit or proceeding may be commenced with any reasonable likelihood of success;

- (e) this Agreement has been, and all other documents contemplated hereunder to which the Purchaser is or will be a party, when executed and delivered, shall be, duly and validly executed and delivered by the Purchaser, and constitutes or, when so executed and delivered, will constitute, and at the Time of Closing will constitute, legal, valid and binding obligations of the Purchaser, enforceable in accordance with the terms hereof or thereof;
- (f) the Transaction is not a reviewable transaction within the meaning of that term as used in the *Investment Canada Act*; and
- (g) the Purchaser is registered under Part IX of the ETA and its GST number is 826960353.

3.2 Vendor's Representations

The Vendor represents and warrants to the Purchaser as follows:

- (a) the Vendor is not a non-resident of Canada within the meaning of that term as used in the *Income Tax Act (Canada)*; and
- (b) the Vendor is registered under Part IX of the ETA and its GST number is R104788948.
- (c) At the time of Closing, US subsidiary of the Vendor, Sertapak USA Inc., will have ceased to carry on business, will continue to be insolvent and will have no employees.

SECTION 4 - CONDITIONS

4.1 Conditions - Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Vendor contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) the Vendor shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;

- (c) the Vendor shall have executed and delivered an assignment and assumption of the Lease(s) in a form satisfactory to the Landlord and any Lessors, and to the Parties, acting reasonably;
- (d) the Purchaser and the landlord pursuant to the Real Property Lease shall have agreed to amendments to the Real Property Lease on terms acceptable to the Purchaser;
- (e) BDC shall have either, at Purchaser's option, (i) agreed to the assumption by the Purchaser of the BDC Loan on terms acceptable to the Purchaser, (ii) advanced a loan to the Purchaser to fund the payment to be made by the Purchaser to the Vendor pursuant to item (ii) of Section 2.7(b) on terms acceptable to the Purchaser, or (iii) consented to the completion of the Transaction on the basis of the undertaking referred to in item (iii) of Section 2.7(b), on terms acceptable to the Purchaser;
- (f) the Purchaser and the holders of the loans owing by the Vendor to its shareholders shall have agreed to amendments to the terms of repayment of the portion of such loans to be assumed by Purchaser on Closing on terms acceptable to the Purchaser;
- (g) the Purchaser shall be satisfied as to the collectability of the SRED Tax credits and timing of collection of same;
- (h) the Purchaser and the Employees of the Vendor to whom the Purchaser elects to make offers of employment pursuant to Section 2.4 shall have agreed to terms of employment acceptable to the Purchaser;
- (i) the Purchaser and Brian Joseph Lawler, a current employee of the Vendor, shall have agreed to terms on which he will continue his employment with the Purchaser following Closing on terms and conditions acceptable to the Purchaser;
- (j) the Purchaser and Bruce T. Orr, a current employee of the Vendor, shall have agreed to terms on which he will continue his employment with the Purchaser following Closing on terms and conditions acceptable to the Purchaser;
- (k) the Purchaser, on the one hand, and Kevin Charles Sanford Wells and Tekcal Group Inc., on the other hand, shall have agreed to terms on which the services provided to the Vendor by such parties prior to the date hereof shall be continued to the Purchaser on terms and conditions acceptable to the Purchaser;
- (l) no action or proceedings having a reasonable likelihood of success shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any such condition may be waived by the Purchaser in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

4.2 Conditions – Vendor

The obligation of the Vendor to complete the Transaction is subject to the following conditions being fulfilled or performed at or prior to the Time of Closing:

- (a) all representations and warranties of the Purchaser contained in this Agreement shall be true as of the Closing Date with the same effect as though made on and as of that date;
- (b) the Purchaser shall have performed each of its obligations under this Agreement to the extent required to be performed on or before the Closing Date;
- (c) no action or proceedings having a reasonable likelihood of success shall be pending or threatened to restrain or prohibit the completion of the Transaction contemplated by this Agreement;
- (d) the Purchaser shall have executed and delivered an assignment and assumption of the Lease(s) in a form satisfactory to the Landlord and any Lessors, and to the Parties, acting reasonably; and
- (e) the Vendor shall have obtained the consent and agreement of the Monitor to the sale.

The foregoing conditions are for the exclusive benefit of the Vendor. Any such condition may be waived by the Vendor in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing.

4.3 Approval and Vesting Order

The obligations of the Vendor and the Purchaser are subject to the conditions that:

- (a) An order (the “**Approval and Vesting Order**”) shall have been made by the Court on or before the Closing approving this Agreement and the Transaction, and vesting in the Purchaser upon the filing of the Monitor’s certificate in the form appended as Schedule A thereto all the right, title and interest of the Vendor in and to the Assets free and clear of all liens, security interests and other encumbrances, except for Permitted Encumbrances, such order to be substantially in the form of the order attached hereto as Schedule 10; and
- (b) the Approval and Vesting Order shall not have been stayed, varied or vacated, and no order of the Court shall have been issued which restrains or prohibits the completion of the Transaction.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser.

4.4 Non-Satisfaction of Conditions

If any condition set out in this Section 4 is not satisfied or performed by the time specified therefor, the party for whose benefit the condition is inserted may:

- (a) waive compliance with the condition in whole or in part in its sole discretion by written notice to the other party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect on written notice to the other party to terminate this Agreement before Closing.

SECTION 5 – CLOSING

5.1 Closing

The completion of the Transaction shall take place at the offices of the solicitor for the Vendor, on the Closing Date at the Time of Closing or as otherwise determined by mutual agreement of the parties in writing.

5.2 Purchaser's Deliveries on Closing

At or before the Time of Closing, the Purchaser shall execute and deliver (or where applicable make payment) to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) payment of the Purchase Price;
- (b) payment or evidence of payment of applicable federal and provincial taxes or alternatively, appropriate exemption and / or election certificates, as required by Section 2.11;
- (c) a bill of sale, assignment and assumption substantially in the form of Schedule 11;
- (d) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (e) an acknowledgement dated the Closing Date, that each of the conditions precedent in Sections 4.1 and 4.3 of this Agreement has been fulfilled, performed or waived as of the Closing Date; and
- (f) such further and other documentation as is referred in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

5.3 Vendor's Deliveries on Closing

At or before the Time of Closing, the Vendor shall execute and deliver to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a bill of sale, assignment and assumption substantially in the form of Schedule 11;
- (b) a certificate, dated the Closing Date, confirming that all of the representations and warranties of the Vendor contained in this Agreement are true as of the Closing Date, with the same effect as though made on and as of the Closing Date;
- (c) an acknowledgement dated the Closing Date, that each of the conditions precedent in Sections 4.2 and 4.3 of this Agreement has been fulfilled, performed or waived as of the Closing Date; and
- (d) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

5.4 Monitor's Delivery on Closing

At the Time of Closing, the Monitor shall execute and deliver to the Purchaser and Vendor the following:

- (a) the Monitor's Certificate, as referred to in the Approval and Vesting Order.

5.5 Purchaser's Acknowledgement

The Purchaser acknowledges that the Vendor is selling the right, title and interest of the Vendor in and to the Assets pursuant to the Vendor's powers and as authorized by the Approval and Vesting Order. The Purchaser agrees to purchase and accept the right, title and interest of the Vendor in and to the Assets pursuant to and in accordance with the terms of this Agreement, the bill of sale, assignment and assumption and the Approval and Vesting Order.

5.6 Possession of Assets

The Vendor shall remain in possession of the Assets until the Time of Closing. On Closing, the Purchaser shall take possession of the Assets where situate at the Time of Closing. The Purchaser acknowledges that the Vendor has no obligation to deliver physical possession of the Assets to the Purchaser. In no event shall the Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied and the Purchaser has satisfied all delivery requirements outlined in Section 5.2. The Purchaser shall promptly notify the Vendor of any Excluded Assets which may come into the possession or control of the Purchaser after the Time of Closing, and shall promptly release such Excluded Assets to the Vendor, or to such other person as the Vendor may direct in writing.

5.7 Access to Assets

The Purchaser may have reasonable access to the Assets located at the Vendor's place of business during normal business hours prior to the Time of Closing for the purpose of enabling the Purchaser to conduct such non-destructive, non-invasive inspections of the Assets as it deems appropriate, provided that all commercially reasonable efforts shall be used by all parties to ensure that the operation of the Vendor's business in the ordinary course are not disturbed by any such inspection. Such inspection shall only be conducted in the presence of a representative of the Vendor, if so required at the discretion of the Vendor. The Purchaser agrees to indemnify and save the Vendor harmless from and against all claims, demands, losses, actions and costs incurred or arising from or in any way directly related to the inspection of the Assets or the attendance of the Purchaser, its employees or agents, at such place of business.

5.8 Risk

The Assets shall be and remain at the risk of the Vendor until Closing and at the risk of the Purchaser from and after Closing. If, prior to Closing, the Assets are substantially damaged or destroyed by fire or other casualty, then, at its option, the Purchaser may decline to complete the Transaction. Such option shall be exercised within 15 days after notification to the Purchaser by the Vendor of the occurrence of damage or destruction (or prior to the Closing Date if such occurrence takes place within 15 days of the Closing Date) in which event this Agreement shall be terminated automatically and the Purchaser shall be entitled only to a return of the Deposit paid under Section 2.7(a) and interest earned thereon but without any other compensation and the Vendor shall have no liability or obligation hereunder. If the Purchaser does not exercise such option, it shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. Where any damage or destruction is not substantial, the Purchaser shall complete the Transaction and shall be entitled to an assignment of any proceeds of insurance referable to such damage or destruction. For the purposes of this Section substantial damage or destruction shall be deemed to have occurred if the loss or damage to the Assets exceeds 15% of the Purchase Price or significantly disrupts the business or the ability to fulfil the obligations under the Contracts. If any dispute arises under this Section as to whether damage or destruction is substantial, such dispute will be determined in accordance with Section 5.9 herein.

5.9 Dispute Resolution

If any dispute arises (a) under Section 5.8 as to whether any damage or destruction is substantial, (b) with respect to the dollar amount of the Closing Inventory Amount, or (c) with respect to any other matter related to the Transaction, other than the determination of the Closing Working Capital Amount and the Working Capital Adjustment Amount, such dispute will be determined by the Court in the Vendor's CCAA proceedings, or by such other person or in such other manner as the Court may direct.

5.10 Termination

If either the Vendor or the Purchaser validly terminates this Agreement pursuant to the provisions of Sections 4.4 or 5.8,

- (a) all the obligations of both the Vendor and Purchaser pursuant to this Agreement shall be at an end;
- (b) the Purchaser shall be entitled to have the Deposit returned with any interest earned thereon and without deduction; and
- (c) neither party shall have any right to specific performance or other remedy against, or any right to recover damages or expenses from, the other.

5.11 Breach by Purchaser or Vendor

If the Purchaser fails to comply with any of its obligations under this Agreement, the Vendor may, by notice to the Purchaser, elect to treat this Agreement as having been repudiated by the Purchaser. In that event, the Deposit and any other payments made by the Purchaser and interest earned thereon shall be forfeited to the Vendor on account of its liquidated damages, and the Assets may be resold by the Vendor. If the Vendor fails to comply with any of its obligations under this Agreement, the Purchaser may, by notice to the Vendor, elect to treat this Agreement as having been repudiated by the Vendor. In that event, the Deposit and any other payments made by the Purchaser and interest earned thereon shall be returned to the Purchaser without deduction, and the Purchaser shall retain any and all rights it may have at law and pursuant to this Agreement.

5.12 Books and Records

Forthwith following the Closing the Vendor shall deliver to the Purchaser, and the Purchaser shall accept from the Vendor, the books, records, files and other documents and instruments in the possession of the Vendor relating to the Assets and the business heretofore carried on by the Vendor using the Assets (herein referred to as the "Records"). From and after the date of receipt of the Records, the Purchaser shall provide to representatives of the Vendor, and including its counsel and accountants, reasonable access to the Records as may be reasonably requested by Vendor in order to permit Vendor (at its cost and expense) to prepare and file federal, provincial and local tax returns and for such other proper purposes as Vendor may reasonably require. In addition, Purchaser will cooperate and will instruct all of its personnel to cooperate with Vendor in connection with the foregoing. After the closing, Vendor shall have the right, at its cost and expense, to copy any part of the Records as may be reasonably useful to Vendor in connection with any of the matters herein above referred to. If the originals of any Records are required in connection with any proceeding, litigation or similar matter, Vendor shall have the right to use such originals for that purpose. Purchaser will cause the Records to be maintained for not less than six years from the Date of Closing.

SECTION 6 – GENERAL

6.1 Further Assurances

Each of the Parties shall, from time to time after the Closing Date, at the request and (except as provided in Section 2.4) expense of the other, take or cause to be taken such action

and execute and deliver or cause to be executed and delivered to the other such documents and further assurances as may be reasonably necessary to give effect to this Agreement.

6.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered personally or transmitted by fax, addressed

in the case of the Purchaser, as follows:

Chalmers International Holdings Inc.
6400 Northam Drive,
Mississauga, ON L4V 1J1
Attention: Joseph Jeyanayagam, Chief Financial Officer

Telephone No.: 905-362-6400
Fax No.: 905-362-6401

with a copy to:

Aylesworth_{LLP}
1800-222 Bay Street
P.O. Box 124
Toronto, ON M5K 1H1

Attention: James M. McKeon and Richard Jones

Telephone No.: 416-777-4022
Fax No.: 416-865-1398

and in the case of the Vendor, as follows:

Sertapak Inc.
1039 Dundas Street, P.O. Box 1500
Woodstock, ON N4S 8R2
Attention: C. J. David Nettleton, President & CEO

Telephone No.: 519-539-0008
Fax No.: 519-539-8388

with a copy to:

Cohen Highley_{LLP}
Lawyers
1100-255 Queens Avenue

London, ON N6A 5R8
Attention: Gordon B. Carmichael

Telephone No.: 519-672-9330
Fax No.: 519-672-5960

with a copy to:

BDO Dunwoody Limited
1200-123 Front Street West
Toronto, ON N7J 2M2
Attention: Clark McKeown

Telephone No.: 416-369-3062
Fax No.: 416-865-0904

Any such notice or other communication, if given by personal delivery on a Business Day, will be deemed to have been given on the day of actual delivery thereof and, if transmitted by fax before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by fax after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

6.3 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 Vendor and the Purchaser or by their respective solicitors.

6.4 Currency

All references herein to money amounts are in Canadian currency.

6.5 Survival

The representations and warranties of the parties hereto contained in this Agreement shall survive Closing.

6.6 Benefit of Agreement; Nominee Designation

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns, provided that the Purchaser shall not assign the benefit of this Agreement without the prior written consent of the Vendor, except that Purchaser may assign any or all of its rights and interests hereunder to one or more of its affiliates or designate one or more of its affiliates to perform its obligations hereunder without the consent of the Vendor, but in any or all such cases (i) the Purchaser give written notice to Vendor of the name and GST registration number of the affiliate so designated not less than two (2) Business Days prior to Closing, and (ii) the Purchaser shall remain responsible for the performance of all

of its obligations hereunder notwithstanding such designation. The Purchaser may incorporate the nominee using the name "Sertapak" prior to the Closing provided the Purchaser undertakes in writing to the Vendor promptly to change the name of the nominee to exclude the word "Sertapak" in the event the Closing does not occur for any reason.

6.7 Entire Agreement

This Agreement and the attached Schedules constitute the entire agreement between the parties with respect to the subject matter and supersede all prior negotiations and understandings. This Agreement may not be amended or modified in any respect except by written agreement executed by the parties.

6.8 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 this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

6.9 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement or such document, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction shall not affect such provision's validity or enforceability in any other jurisdiction.

6.10 Monitor's Capacity

The Monitor acts in its capacity as Monitor of the Vendor and shall have no personal or corporate liability under this Agreement.

6.11 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

6.12 Commission

Except for any fees which the Vendor may become contractually bound to pay with respect to the contemplated Transaction, the Purchaser acknowledges that there are no agent or broker fees or other commissions payable by the Vendor on the Purchase Price or otherwise in connection with the Transaction, and the Purchaser agrees to indemnify the Vendor against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction.

6.13 Costs and Expenses

Each Party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by it in connection with this Agreement and the transactions contemplated herein.

6.14 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 facsimile of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

SERTAPAK INC.

By: _____

Name: C. J. David Nettleton

Title: President & CEO

I have authority to bind the Corporation.

**CHALMERS INTERNATIONAL
HOLDINGS INC.**

By: _____

Name: Joseph Jeyanayagam

Title: Chief Financial Officer

I have authority to bind the Corporation.