

TAB 19

Court File No. CV-14-10543-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

BETWEEN:

8527504 CANADA INC.

Applicant

- and -

LIQUIBRANDS INC.

Respondent

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

AFFIDAVIT OF NATASHA SHARPE

I, NATASHA SHARPE, of the City of Toronto, in the Province of Ontario, DO HEREBY MAKE OATH AND SAY AS FOLLOWS:

1. I am the President of 8527504 Canada Inc. ("852"), and in such capacity I am familiar with the indebtedness and obligations owed by the Respondent, Liquibrands Inc. ("Liquibrands"), and its wholly-owned subsidiary, Sun Pac Foods Limited ("Sun Pac"), to 852. The facts set forth herein are within my personal knowledge or determined from the face of the documents attached hereto as exhibits and from information and advice provided to me from others. Where I have relied upon such information and advice I verily believe it to be true.
2. I swear this affidavit in support of an application by 852 for an order appointing BDO Canada Limited ("BDO") as receiver of the property, assets and undertaking of Liquibrands.

The Applicant

3. 852 is a company related to Bridging Capital Inc. ("**Bridging Capital**"). Bridging Capital is a Canadian company that provides middle-market commercial customers with alternative financing options to those offered by traditional lenders.

Liquibrands and Sun Pac

4. Liquibrands is an Ontario corporation that was incorporated on May 26, 2011. Liquibrands has its registered office at 365 Bay Street, Suite #800, Toronto, Ontario. The sole officer, director and shareholder of Liquibrands is Mr. Csaba Reider ("**Reider**"). Attached hereto as **Exhibit "A"** is a copy of a Corporation Profile Report for Liquibrands dated February 11, 2014.

5. Liquibrands is the sole shareholder of Sun Pac. Attached hereto as **Exhibit "B"** is a copy of the Officer's Certificate of Reider dated October 1, 2012, issued in his capacity as President and Chief Executive Officer of Sun Pac. The certificate confirms Liquibrands as sole shareholder of Sun Pac.

6. Sun Pac was a Canadian manufacturer of private label and branded beverage products, including juices, natural teas, sports drinks, juice concentrates, frozen juices and other beverage products. The company also manufactured croutons and bread crumbs under the 'McDowell Ovens' banner and private label brands owned by various large Canadian retailers (the "**Breadcrumbs Division**"). Sun Pac products were distributed throughout North America.

The Original Loans

7. Pursuant to an Amended and Restated Letter Agreement accepted by Sun Pac and Liquibrands on January 18, 2013 (the "**Loan Agreement**"), Bridging Capital provided the following financing facilities to Sun Pac (the "**Original Loans**"):

- (a) a demand revolving loan of up to \$5 million, which could be increased up to \$7 million, based on a specific lending formula; and

- (b) a demand revolving loan in the amount of the lesser of (i) \$2.25 million and (ii) 90% of the appraised amount of Sun Pac's machinery and equipment pursuant to an appraisal report satisfactory to Bridging Capital.

Attached hereto as **Exhibit "C"** is a copy of the Loan Agreement.

8. The Original Loans were secured by, among other things, a Guarantee and Postponement dated October 1, 2012 (the "**Guarantee**") limited to the maximum principal amount of \$1.0 million plus interest and costs and a General Security Agreement dated October 1, 2012 (the "**GSA**"), each granted by Liquibrands in favour of Bridging Capital. A copy of the Guarantee is attached hereto as **Exhibit "D"**. A copy of the GSA is attached hereto as **Exhibit "E"**.

9. Pursuant to section 1 of the Guarantee:

The Guarantor hereby unconditionally and irrevocably guarantees, jointly and severally as a primary obligor and not merely as a surety, the prompt payment and performance to the Creditor, forthwith upon demand by the Creditor, of all indebtedness, liabilities and obligations of any kind whatsoever (whether direct or indirect, joint or several, absolute or contingent, mature or unmatured) which the Debtor has incurred or may incur or be under to the Creditor pursuant to the loan agreement entered into between the Creditor and the Debtor on or about the date hereof as the same may be amended, restated, revised or replaced from time to time (collectively, the "**Obligations**") to the maximum principal amount of \$1,000,000 plus interest and costs.

10. Pursuant to the terms of the GSA, Liquibrands granted to Bridging Capital a security interest in all of its present and after-acquired personal property to secure payment and satisfaction of any and all obligations, indebtedness, and liability of Liquibrands to Bridging Capital, including under the Loan Agreement or the Guarantee.

11. Pursuant to section 12 of the GSA, upon the occurrence of an "Event of Default" under the GSA or at any time thereafter, Bridging Capital may appoint a receiver over all or any part of the property, assets and undertakings of Liquibrands.

12. The definition of Event of Default for the purposes of the GSA incorporates the definition of an Event of Default under the Loan Agreement. An Event of Default is defined under the

Loan Agreement to include, among other things, Sun Pac ceasing or threatening to cease to carry on business in the ordinary course and Sun Pac being unable to pay its debts as they become due.

13. The Original Loans were assigned by Bridging Capital to 852 in May 2013.

Default Under the Original Loans

14. In a letter dated September 5, 2013, 852, by its lawyers, notified Sun Pac that it was in default under the Original Loans and that 852 had declared the entire amount of the indebtedness of Sun Pac (then in the approximate amount of \$3.95 million) to be immediately due and payable. 852 also issued a Notice of Intention to Enforce Security against Sun Pac pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"). Copies of the letter and the Notice of Intention to Enforce Security dated September 5, 2013 are collectively attached hereto as **Exhibit "F"**.

Forbearance Agreement

15. At the request of Sun Pac and Liquibrands, the parties entered into a Forbearance and Amending Agreement as of September 11, 2013, a copy of which is attached hereto as **Exhibit "G"** (the "**Forbearance Agreement**"). The Forbearance Agreement was entered into to provide Reider with an opportunity to obtain alternative equity and debt financing for Sun Pac and to continue negotiations with a potential purchaser of the Breadcrumbs Division.

16. Pursuant to the terms of the Forbearance Agreement, Liquibrands, as an Obligor¹, acknowledged and agreed that the Security held by 852 for payment of the Indebtedness is valid, binding and enforceable against it in accordance with its terms. Liquibrands also confirmed that:

...it has granted the guarantee described in Schedule "A" hereto in favour of BCI, as assigned to 852 (the "Guarantee"). Liquibrands does not dispute its liability on any basis whatsoever under the Guarantee and confirms that it has no claim for setoff, counterclaim or damages on any basis whatsoever against 852. If there are any claims, they are hereby expressly released and discharged. Liquibrands confirms that the Guarantee has not been released, waived or varied, that it is binding upon it and that it is valid and enforceable against it in accordance with its written terms.

¹ All defined terms not defined in this affidavit are used as defined in the Forbearance Agreement.

17. The Forbearance Agreement also amended the Loan Agreement by, among other things, adding two new credit facilities in favour of Sun Pac: (i) a demand non-revolving loan of \$500,000 (the "Facility C Loan"); and (ii) a demand non-revolving loan in the amount of 2 times EBITDA of the Breadcrumbs Division less the aggregate amount advanced to Sun Pac under the Facility C Loan (the "Facility D Loan").

18. Section 10 of the Forbearance Agreement provides that:

... the Obligors acknowledge that credit pursuant to the Loan Agreement and this Agreement is being provided on a day to day, on demand basis only and that 852 is and shall be under no obligation whatsoever to extend credit pursuant to the Loan Agreement or this Loan Agreement beyond such day to day period.

19. The Forbearance Agreement amends the Loan Agreement by adding the Facility C Loan and the Facility D Loan. The Loan Agreement sets out certain conditions precedent to any subsequent advance being made under the Loan Agreement, including that no event:

...shall have occurred that, in the Lender's sole discretion, acting reasonably, materially adversely affects or could materially adversely effect either: (i) the business, assets, liabilities, prospects, financial condition or operations of the Borrower, or (ii) the value of the Collateral.

20. 852 agreed not to take any steps to enforce any of the Loan Agreement or the Security, on terms set out in the Forbearance Agreement, prior to the earlier of (a) December 9, 2013; or (b) the occurrence of an Event of Default under the Forbearance Agreement. The parties agreed that any one or more of the following events (among others) would constitute an Event of Default under the Forbearance Agreement:

- (a) the non-payment when due of any principal, interest or other amounts payable by Sun Pac to 852;
- (b) a default or breach of any obligation, promise, covenant, term or condition under the Forbearance Agreement, the Loan Agreement or the Security;
- (c) failure to deliver a binding sale agreement for the Breadcrumbs Division by November 6, 2013;

- (d) if Sun Pac ceased or threatened to cease carrying on business in the ordinary course; and
- (e) if 852, acting in good faith and upon commercially reasonable grounds, believes that the prospect of payment of the debt owed by Sun Pac or Liquibrands or performance by them of any of their obligations was or was about to be impaired or that all or any part of any of the property of Sun Pac or Liquibrands was or was about to be placed in jeopardy.

21. The Forbearance Agreement provides that upon the occurrence of an Event of Default:

- (a) the balance owing to 852 shall, at the option of 852, become immediately due and payable; and
- (b) the Loan Agreement and the Security shall, at 852's option, become enforceable in accordance with their terms, including without limitation 852's right to the appointment of a private receiver or the court appointment of an interim receiver, national receiver and receiver and manager of the Obligors' respective property, assets and undertaking.

22. Liquibrands irrevocably consented to the making of a bankruptcy order and the private or court appointment of a receiver or receiver and manager in respect of any or all of its property or assets upon the occurrence of an Event of Default under the Forbearance Agreement. Attached hereto collectively as **Exhibit "H"** are copies of Consent forms signed by Liquibrands.

Default Under the Forbearance Agreement

23. By letter dated October 10, 2013, a copy of which is attached hereto as **Exhibit "I"**, 852's lawyers notified Sun Pac of 852's serious concerns with respect to the timeliness, accuracy and quality of the information provided by management and the financial performance of the Company including:

- (a) persistent late reporting;
- (b) draw requests in excess of availability;
- (c) persistent failure to meet sales projections; and

- (d) inclusion of slow moving inventory in the borrowing base calculation.

The letter also confirmed that 852 lacked confidence in management and determined that there had been a material deterioration in the prospects and financial condition of Sun Pac.

24. Accordingly, pursuant to its rights under the Loan Agreement and the Forbearance Agreement, 852 notified Sun Pac that it would not be making any advances to Sun Pac under the Forbearance Agreement and that availability under the Facility D Loan was thereby terminated.

25. Sun Pac and Liquibrands failed to deliver by November 6, 2013 a binding agreement for the sale of the Breadcrumbs Division, which also constituted an Event of Default under the Forbearance Agreement.

26. I am informed by Harvey Chaiton, a partner of Chaitons LLP, that on November 11, 2013, he spoke with James Grout, a partner of Thornton Grout Finnigan LLP, who informed him that (i) Mr. Grout had been retained by Sun Pac and (ii) Reider informed Mr. Grout that Sun Pac's operations were shut down on Thursday November 7, 2013, at which time all but a few employees were terminated. Sun Pac ceasing to carry on business constituted a further Event of Default under the Forbearance Agreement. Attached hereto as **Exhibit "J"** is a copy of an e-mail exchange between Mr. Chaiton and Mr. Grout on November 11, 2013.

27. As a result of the Events of Default under the Forbearance Agreement, section 34 of the Forbearance Agreement provides that the consent to the appointment of a receiver executed by each of Sun Pac and Liquibrands may be utilized by 852.

Other Creditors

28. Attached hereto as **Exhibit "K"** is a copy of a search conducted against Liquibrands under the Ontario personal property registry current as of February 10, 2014, which discloses that the only registered secured creditors of Liquibrands are 852 and Bridging Capital.

Receivership of Sun Pac

29. On November 12, 2013, 852 commenced an urgent application for the appointment of a receiver over all of the property, assets and undertakings of Sun Pac under section 243 of the BIA and section 101 of the *Courts of Justice Act*. The receivership application was not opposed by Sun Pac or Liquibrands. Pursuant to the Order of Justice Mesbur dated November 12, 2013, BDO was appointed as receiver of the property, assets and undertakings of Sun Pac. Attached hereto as **Exhibit "L"** is a copy of the Receivership Order and the endorsement of Justice Mesbur.

30. BDO has substantially completed the process of liquidating the assets of Sun Pac and will be reporting to the Court in the receivership proceeding as and when necessary for the purpose of reporting on its activities and seeking authorization to make distributions to secured creditors. To my knowledge, the total amount available for distribution to 852 will likely not exceed \$500,000.

Statement of Claim

31. On or about November 12, 2013, 852's lawyers received an email from David Wires of the Wires Jolley LLP law firm attaching an affidavit sworn by one of their lawyers which included, among other things, a copy of a statement of claim issued on that date naming Sun Pac and Liquibrands as plaintiffs and 852 and Bridging Capital as defendants (the "**Statement of Claim**"). A true copy of the Statement of Claim is attached hereto as **Exhibit "M"**.

32. As can be seen from the Statement of Claim, which I understand was prepared and caused to be issued at the instruction of Reider, the plaintiffs seek general damages for breach of contract in the amount of \$100 million and exemplary, aggravated and punitive damages in the amount of \$500,000 for failing to make Facility D available to Sun Pac. The Statement of Claim was served on Bridging and 852 on March 25, 2014.

33. 852 and Bridging Capital reject the allegations made in the Statement of Claim and deny that they have any liability whatsoever to Sun Pac or Liquibrands in respect of those allegations or otherwise. 852 and Bridging Capital intend to defend that action vigorously if it proceeds.

Payment Demand

34. On April 7, 2014, 852 made demand for payment on Liquibrands pursuant to its Guarantee and issued a Notice of Intention to Enforce Security pursuant to section 244 of the BIA. Copies of the demand and notice are collectively attached hereto as **Exhibit "N"**.

It Is Just and Convenient to Appoint a Receiver

35. Liquibrands is in default of its obligations to 852. It has acknowledged in the Forbearance Agreement that the amount owing under the Guarantee is undisputed and payable without set-off, counterclaim or damages on any basis whatsoever. It has consented to the appointment of a receiver by the Court in the event of a default under the GSA and the Forbearance Agreement.

36. 852 will suffer a substantial shortfall on its secured loans to Sun Pac, which has substantial losses of approximately \$26 million.

37. 852 is the stakeholder with the largest economic interest in the property of Liquibrands and Sun Pac.

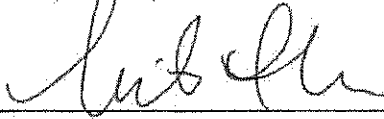
38. I have had numerous discussions and meetings with several parties who have expressed considerable interest in the losses of Sun Pac which could generate additional proceeds to mitigate 852's loan loss.

39. 852 believes that it is necessary and desirable for a receiver to be appointed to participate in the negotiations and complete a loss transaction under the supervision of the Court for the benefit of all stakeholders.

40. 852 proposes that BDO be appointed as receiver. BDO has agreed to accept the appointment, and a copy of its consent is attached hereto as **Exhibit "N"**.

41. This affidavit is sworn in support of an application by 852 for an order appointing BDO as receiver of the property, assets and undertaking of Liquibrands and for no other or improper purpose.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario,)
this 11th day of APRIL, 2014)



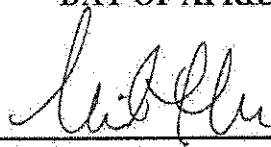
A Commissioner, Etc.)



NATASHA SHARPE

Michael Mascarin, a Commissioner,
etc., Province of Ontario, while a
Student-at-Law.
Expires August 12, 2016.

THIS IS EXHIBIT "A" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

Request ID: 016154433
 Transaction ID: 53355996
 Category ID: UN/E

Province of Ontario
 Ministry of Government Services

Date Report Produced: 2014/02/11
 Time Report Produced: 14:15:28
 Page: 1

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name	Incorporation Date
2286364	LIQUIBRANDS INC.	2011/05/26
		Jurisdiction
		ONTARIO
Corporation Type	Corporation Status	Former Jurisdiction
ONTARIO BUSINESS CORP.	ACTIVE	NOT APPLICABLE
Registered Office Address		Date Amalgamated
		Amalgamation Ind.
		NOT APPLICABLE
365 BAY STREET		NOT APPLICABLE
		New Amal. Number
Suite # 800		Notice Date
TORONTO		NOT APPLICABLE
ONTARIO		NOT APPLICABLE
CANADA M5H 2V1		Letter Date
		NOT APPLICABLE
Mailing Address		Revival Date
		Continuation Date
		NOT APPLICABLE
365 BAY STREET		NOT APPLICABLE
		Transferred Out Date
Suite # 800		Cancel/Inactive Date
TORONTO		NOT APPLICABLE
ONTARIO		NOT APPLICABLE
CANADA M5H 2V1		EP Licence Eff.Date
		EP Licence Term.Date
		NOT APPLICABLE
		NOT APPLICABLE
	Number of Directors	Date Commenced
	Minimum	in Ontario
	Maximum	Date Ceased
		in Ontario
	00001	00010
		NOT APPLICABLE
Activity Classification		NOT APPLICABLE
NOT AVAILABLE		

Request ID: 016154433
Transaction ID: 53355996
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2014/02/11
Time Report Produced: 14:15:28
Page: 2

CORPORATION PROFILE REPORT

Ontario Corp Number	Corporation Name
2286364	LIQUIBRANDS INC.

Corporate Name History	Effective Date
LIQUIBRANDS INC.	2011/05/26

Current Business Name(s) Exist:	NO
Expired Business Name(s) Exist:	NO

Administrator: Name (Individual / Corporation)	Address
CSABA REIDER	365 BAY STREET Suite # 800 TORONTO ONTARIO CANADA M5H 2V1

Date Began	First Director	
2011/05/26	NOT APPLICABLE	
Designation	Officer Type	Resident Canadian
DIRECTOR		Y

Request ID: 016154433
Transaction ID: 53355996
Category ID: UNE

Province of Ontario
Ministry of Government Services

Date Report Produced: 2014/02/11
Time Report Produced: 14:15:28
Page: 3

CORPORATION PROFILE REPORT

Ontario Corp Number

2286364

Corporation Name

LIQUIBRANDS INC.

Administrator:
Name (Individual / Corporation)

CSABA

REIDER

Address

365 BAY STREET

Suite # 800
TORONTO
ONTARIO
CANADA M5H 2V1

Date Began

2011/05/26

First Director

NOT APPLICABLE

Designation

OFFICER

Officer Type

PRESIDENT

Resident Canadian

Request ID: 016154433
Transaction ID: 53355996
Category ID: UN/E

Province of Ontario
Ministry of Government Services

Date Report Produced: 2014/02/11
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CORPORATION PROFILE REPORT

Ontario Corp Number

Corporation Name

2286364

LIQUIBRANDS INC.

Last Document Recorded

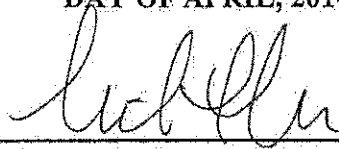
Act/Code	Description	Form	Date
CIA	INITIAL RETURN	1	2011/08/29 (ELECTRONIC FILING)

THIS REPORT SETS OUT THE MOST RECENT INFORMATION FILED BY THE CORPORATION ON OR AFTER JUNE 27, 1992, AND RECORDED IN THE ONTARIO BUSINESS INFORMATION SYSTEM AS AT THE DATE AND TIME OF PRINTING. ALL PERSONS WHO ARE RECORDED AS CURRENT DIRECTORS OR OFFICERS ARE INCLUDED IN THE LIST OF ADMINISTRATORS.

ADDITIONAL HISTORICAL INFORMATION MAY EXIST ON MICROFICHE

The issuance of this report in electronic form is authorized by the Ministry of Government Services.

**THIS IS EXHIBIT "B" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014**



A Commissioner etc.

OFFICER'S CERTIFICATE

**TO: Wildeboer Dellelce LLP
 Chaitons LLP
 Bridging Capital Inc.**

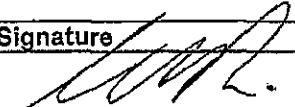
I, Csaba Reider, the President and Chief Executive Officer of Sun Pac Foods Limited ("SPF"), hereby certify in my capacity as an officer of SPF and not in my personal capacity that:

General

1. I am the President and Chief Executive Officer of SPF and, as such, have knowledge of the matters certified herein.
2. I have made all investigations and enquiries that I have considered necessary in order to make the certifications set forth in this certificate and to ensure that the information contained in this certificate is accurate and correct.
3. This certificate is furnished in connection with the legal opinions dated the date hereof of the law firms to whom this certificate is addressed with respect to the execution and delivery by SPF of various loan and security agreements and documents relating to the credit facilities being established by Bridging Capital Inc. ("BCI") in favour of SPF.
4. Annexed hereto as Exhibit 1 is a true and correct copy of the articles of amalgamation effective January 1, 2006 and all amendments thereto, issued by the Director under the *Business Corporations Act* (Ontario), which articles have not been amended, supplemented or replaced and are in full force and effect at the date hereof. No proceedings have been taken or are pending to amend, supplement, repeal, surrender or cancel the same.
5. No proceedings have been commenced by SPF or its shareholders, or so far as I have any knowledge, by any other person, for the liquidation or dissolution of SPF.
6. Annexed hereto as Exhibit 2 is a true and correct copy of By-Law Number 1 of SPF, duly enacted, which by-law is the only by-law of SPF and has not been amended, supplemented, repealed or replaced and is in full force and effect at the date hereof.
7. Annexed hereto as Exhibit 3 is a true and correct copy of a resolution of the sole director of SPF passed on the date hereof, which resolution has not been amended, supplemented or repealed and is in full force and effect on the date hereof.
8. The person listed below has been duly elected as the sole director of SPF:

Csaba Reider

9. The person listed below has been duly elected or appointed to the offices in SPF set opposite his name and such person now holds such offices and the specimen signature set forth opposite his name is a true specimen of his signature:

Name of Officer	Office	Signature
Csaba Reider	President and Chief Executive Officer	

10. The parties listed below hold shares in the capital of SPF in such number and class as is set out below:

Name	Number and Class of Shares
Liquibrands Inc.	76,000 Class B Special Shares 76,000 Class C Special Shares 76,000 Class E Special Shares 76,000 Class G Special Shares 76,000 Class I Special Shares 24 Subordinate Preference Shares 1 Common Share

11. To my knowledge, the minute books of SPF contain all of the by-laws, resolutions and other proceedings of the directors and shareholders of SPF.

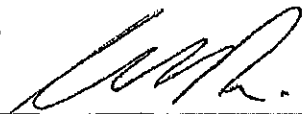
12. All material filings and remittances, except as disclosed to BCI, that are required under all applicable legislation have been made by SPF.

13. There are no provisions on the constating documents or by-laws of SPF or in any written agreement among all of the shareholders of SPF or in any written agreement among all of the shareholders of SPF and one or more persons who are not shareholders of SPF or in any written declaration by a person who is the beneficial owner of all of the issued shares of SPF which restrict or limit the powers of the directors of SPF to:

- (a) manage or supervise the management of the business and affairs of SPF;
- (b) borrow money upon the credit of SPF;
- (c) issue, re-issue, sell or pledge debt obligations of SPF; or
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of SPF, owned or subsequently acquired, to secure any obligation of SPF.

14. Neither the execution, delivery nor performance by SPF of its obligations set out in any agreement, instrument or other document entered into in connection with the above-noted transactions will conflict with, be in or contribute to a contravention, breach or default under the constating documents, by-laws or resolutions of SPF or under any agreement, instrument or other document to which SPF is a party or by which it is bound.

DATED *October 1*, 2012.



Csaba Reider, President and Chief Executive Officer

THIS IS EXHIBIT "C" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

AMENDED AND RESTATED LETTER AGREEMENT

January 17, 2013

Sun Pac Foods Limited
10 Sun Pac Blvd.
Brampton, Ontario L6S 4R5

Attention: Csaba Reider, President

Dear Mr. Reider:

Re: Bridging Capital Inc. (the "Lender") credit facility in favour of Sun Pac Foods Limited (the "Borrower")

The Lender is pleased to offer the credit facilities (collectively, the "Facility") described in this amended and restated letter agreement (which, for greater certainty, amends and restates the letter agreement dated October 1, 2012, among the Lender, the Borrower and the Guarantor) (the "Agreement") subject to the terms and conditions set forth herein including, without limitation, the satisfactory completion of due diligence. Unless otherwise indicated, all amounts are expressed in Canadian currency. All capitalized terms not otherwise defined in the body of this Agreement shall have the meanings ascribed thereto in Schedule "A".

Borrower: Sun Pac Foods Limited

Guarantor: Liquibrands Inc. (the "Guarantor")

Lender: Bridging Capital Inc.

Facility: (i) Demand revolving loan of up to \$5,000,000, based on the lending formula described herein (the "Facility A Loan"). The Facility A Loan may be increased to up to \$7,000,000 in increments of \$1,000,000, provided the following conditions are met: (a) the lending formula supports the increased amount, (b) a 1% commitment fee on the incremental amount is paid prior to funding, (c) two weeks' prior written notice is provided to the Lender together with payment of the commitment fee on the incremental amount, and (d) the Facility is not in default. For greater certainty, the maximum amount of the Facility A Loan at any time shall not exceed \$7,000,000.

(ii) Demand non-revolving loan in the amount of the lesser of (i) \$2,250,000 and (ii) 90% of the Equipment Appraisal (the "Facility B Loan").

Purpose: To support the working capital needs of the Borrower.

Term: The earlier of demand and January 14, 2014 (the "Term"). In the event of demand for repayment prior to the end of the Term in circumstances where an Event of Default has not occurred, the Lender shall provide the Borrower with thirty (30) days' prior written notice of the required repayment date.

Facility A Loan Availability: The maximum amount that shall be available under the Facility A Loan at any time and from time to time will, subject to the maximum amount of \$7,000,000, be determined by the Lender once each week (or more frequently as determined by the Lender) and will be limited during such week (or other period as aforesaid) in accordance with the following formula (the "Facility A Loan Availability"):

the aggregate of:

- 2 -

- (i) Accounts Receivable: Up to 90% of the net insured (satisfactory to the Lender) eligible accounts receivable and up to 90% of the net domestic uninsured eligible accounts receivable. The Lender will determine eligibility in its reasonable credit discretion. General eligibility criteria will include the requirement that eligible accounts receivable be less than 90 days past invoice date but no more than 60 days past due date unless such accounts receivable are insured and in compliance with the insurance policy terms (maximum 90 days past invoice date) or are backed by an irrevocable letter of credit drawn on a bank acceptable to the Lender. In addition, eligible accounts will exclude (among other things as determined by the Lender in its reasonable credit discretion) accounts of an account debtor if 50% or more of the accounts owing from such account debtor are past due, any account that is an obligation for which the total unpaid accounts of the specific account debtor exceed 20% of the aggregate of all gross accounts as related to eligible accounts receivable, to the extent of such excess, foreign accounts not backed by letters of credit or acceptable credit insurance, bill and hold, contras, credits in prior, inter-company receivables and amounts due from affiliated or associated companies, governments, disputed and doubtful accounts, progress billings (except where the receivables are insured satisfactory to the Lender), pre-billed accounts and other accounts at the Lender's discretion. Any exceptions to the foregoing will be considered by the Lender in its sole discretion as and when required. The advance rates are subject to a dilution test as determined by the Lender; PLUS
- (ii) Inventory: An amount of up to 75% of: (i) 50% of the cost (being the aggregate of the supplier's invoice cost of the inventory in question (net of all discounts, rebates and allowances and excluding all applicable taxes) plus inbound freight charges, clearing charges and customs duties) of eligible raw materials; and (ii) up to 91.02% of the cost (being the Borrower's standard manufacturing costs for each product as approved by the Lender in its sole discretion for margining purposes from time to time. Notwithstanding the foregoing, for the purposes of this section, such cost shall not exceed the agreed upon invoice price (plus buyer approved changes) for the product in question) of finished goods inventory based on an independent appraisal by an appraiser acceptable to the Lender over which the Lender has a valid charge together with appropriate landlord waivers (at the discretion of the Lender) rounded to the nearest percentage. The Lender will determine eligibility in its reasonable credit discretion. Eligible inventory criteria shall not include inventory that is unsaleable, slow moving, damaged or obsolete, work-in-process, packaging, inventory to be shipped to foreign subsidiaries, consigned, rental in nature, used, or held offsite (except in a situation where satisfactory landlord waiver/bailee letter is received that includes confirmation of no-offset of payables due the vendor) or outside Canada all as determined by the Lender in its discretion. Final inventory advance rates, eligibility and reserves will be determined by the Lender in its discretion based in part on the independent appraisal report findings together with the pre-closing field examination and may be changed from time to time by the Lender in its discretion based in part on any updated independent appraisals; LESS
- (iii) the amount of the Facility A Loan (including principal, interest and costs) then outstanding, together with all amounts owing by the Borrower to the Lender under this Agreement or under any other agreement or instrument; LESS
- (iv) reserves, determined by the Lender in its sole discretion, in respect of actual and/or potential Priority Claims and/or Statutory Encumbrances liquidation expenses and any other reserves, determined from time to time by the Lender in its sole discretion.

On a Business Day in each week as determined by the Lender (the "Report Day"), prior to 1:00 p.m. ET, the Borrower will provide a report (a "Weekly Borrowing Base Report") to the Lender (in such form as the Lender shall reasonably require) providing, as at the end of the preceding week, a listing of all of the Borrower's accounts receivable, accounts payable, finished goods inventory, raw material inventory, work in progress, inventory in transit, details of any then existing or potential Priority Claims, the amount of the requested Facility advance to be made hereunder for the week, and any other information that may be reasonably required by the Lender. The Lender shall, upon receipt of such report, calculate the then existing Facility A Loan Availability and advise the Borrower accordingly.

Facility A Loan Advances:

Facility A Loan advances to be made hereunder shall be the lesser of the Borrower's requested advance in its Weekly Borrowing Base Report and the then Facility A Loan Availability and will, less any amounts to be deducted therefrom as provided for hereunder, be deposited into the Borrower's Disbursement Accounts.

Provided that no Event of Default has occurred and is continuing, and that at the time the advance is to be made the conditions contained in this Agreement have been satisfied, Facility A Loan advances to be made hereunder shall, provided that the request is contained in a Weekly Borrowing Base Report and that such Weekly Borrowing Base Report is received by the Lender prior to 1:00 p.m. on the Report Day, be made no later than the close of business on the next Business Day and for advance requests over \$200,000 the second Business Day.

Facility B Loan Advances:

Provided that no Event of Default has occurred, and that at the time the advance is to be made the conditions contained in this Agreement have been satisfied, the Lender shall advance to the Borrower as a Facility B Loan advance by way of two advances, the lesser of \$2,250,000 and 90% of the Equipment Appraisal, less, without duplication in respect of the Facility A Loan, reserves as determined by the Lender in its sole discretion, in respect of actual and/or potential Priority Claims and/or Statutory Encumbrances liquidation expenses. The first advance shall be in the amount of \$500,000. Thereafter, provided that no Event of Default has occurred, that at the time the advance is to be made the conditions contained in this Agreement have been satisfied, that the Lender has received and is satisfied with an Equipment Appraisal, and that the 90% of the Equipment Appraisal less reserves is greater than the Facility B Loan advance outstanding, the Lender shall advance by way of a second advance to the Borrower an amount equal to such difference as an additional Facility B Loan advance. Facility B Loan advances shall be deposited into the Borrower's Disbursement Account. To the extent the Facility B Loan advances at any time exceed the lesser of \$2,250,000 and 90% of the Equipment Appraisal less reserves, the Borrower shall forthwith pay to the Lender an amount equal to such excess.

Interest Rate and Fees:

Interest: Annual rate of 18% calculated on the daily outstanding balance of the Facility and compounded monthly, not in advance and with no deemed reinvestment of monthly payments. On the occurrence of an Event of Default, interest shall be calculated at an annual rate of 21% per annum calculated and compounded as aforesaid.

Facility Fee: A renewal and facility fee of 8% of the lesser of \$2,250,000 and 90% of the Equipment Appraisal less reserves shall be earned by the Lender at the time of acceptance of this Agreement, shall be secured by the Security and be payable to the Lender on the earlier of: (i) the second advance of the Facility B Loan (in which case, such fee shall be deducted from such advance); and (ii) February 15, 2013 (in which case, such fee shall be treated as an advance of the Facility A Loan).

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Maintenance and Monitoring Fee: The Borrower shall pay a maintenance and monitoring fee in the amount of \$2,000 for each month, or pro-rated for any partial month, until the Facility is repaid in full and any obligation of the Lender to make advances hereunder is permanently cancelled. The aforesaid fee shall be paid monthly on the last Business Day of each month during which such fee is payable, as provided for herein, and upon repayment of the Facility and permanent cancellation of any obligation of the Lender to make advances hereunder in respect of the final month in question.

Administration Fee: If the Borrower fails to pay any amounts on the day such amounts are due or if the Borrower fails to deliver the required reports set out herein, the Borrower shall pay to the Lender a late administration fee of \$100 per day until such date that such payment has been made or the Borrower has delivered such report, as the case may be.

Expenses: The Borrower shall pay all fees and expenses (including, but not limited to, all due diligence, consultant, field examination and appraisal costs, all fees and expenses for outside legal counsel and other outside professional advisors and, after an Event of Default and upon enforcement under any Security provided hereunder, the time spent by the Lender and its representatives in retaking, holding, repairing, processing and preparing for disposition and disposing of the Security calculated at the Lender's standard per diem rate in effect at such applicable time and established by the Lender in its sole discretion for internal personnel of the Lender) incurred by the Lender in connection with the preparation, registration and ongoing administration of this Agreement and the Security and with the enforcement of the Lender's rights and remedies under this Agreement or the Security, whether or not any amounts are advanced under this Agreement. If the Lender has paid any expense for which the Lender is entitled to reimbursement from the Borrower and such expense has not been deducted from the advance of the Facility, such expense shall be payable by the Borrower within fifteen (15) days following demand for payment and in the event that the Borrower does not pay such amount to the Lender within the fifteen (15) day period, interest shall accrue on such expense at the highest rate payable by the Borrower under this Agreement. All such fees and expenses and interest thereon shall be secured by the Security whether or not any funds under the Facilities are advanced.

Payments: Without limiting the right of the Lender to at any time demand repayment and subject to and in addition to the requirement for repayment in full pursuant to this Agreement, interest only at the aforesaid rate, calculated daily and compounded and payable monthly, not in advance, shall be due and payable on the last Business Day of each and every month during the Term.

Prepayment: The Facility B Loan can be repaid in full at any time without any fee or penalty upon sixty (60) days written notice to the Lender, provided that if at any time following the determination of the amount of the second advance under the Facility B Loan, the amount available to the Borrower under the Facility B Loan is less than \$1,200,000, the Borrower shall be permitted to repay the Facility B Loan in full without any fee or penalty on five (5) days written notice. For greater certainty, there shall be no repayment of the Facility A Loan until the Facility B Loan has been indefeasibly repaid in full.

The Facility can be repaid in full at any time without any fee or penalty upon sixty (60) days written notice to the Lender, provided that if the Lender takes any action in the exercise of its discretion under this Agreement which is an arbitrary change in the manner which it exercises that discretion (such as arbitrarily determining previously eligible accounts to be ineligible) that results in the amount actually available to the Borrower under the Facility A Loan being reduced by an amount greater than \$300,000 and the Lender has not provided the Borrower at least thirty (30) business days written notice of such action to the Borrower, the Borrower shall be permitted to repay the Facility in full

without any fee or penalty on five (5) days written notice. In addition, if the Lender refuses to fund any subsequent advance, or indicates its intention to refuse to fund any subsequent advance, the Borrower shall be permitted to repay the Facility in full without any fee or penalty on five (5) days written notice.

Renewal:

Subject to demand by the Lender or an Event of Default, the Borrower acknowledges that the principal amount of the Facility is payable upon maturity and that the Lender is not obligated to grant any renewal or extension of the Term. However, should the Borrower wish to renew or extend the Term for a further six (6) month period, such renewal shall also be conditional upon: (a) the Facility having been in good standing at all times; (b) the Borrower providing sixty (60) days' prior written notice to the Lender of its desire to renew or extend the Term; and (c) the Lender receiving an extension fee in the amount of \$20,000.

Cash Management Systems:

- (i) The Borrower shall establish and shall continue to maintain, at its expense, a blocked deposit account (the "Blocked Account") at BMO into which the Borrower shall promptly deposit all funds received from all sources including, without limitation, all account receivable payments, cash sales receipts, credit card payments, any and all refunds received from any source whatsoever and any proceeds of any advances or other loans made to it and shall direct its account debtors that remit payments by electronic funds transfers to directly remit all payments into the Blocked Account.
- (ii) BMO, the Lender and the Borrower shall enter into an agreement (the "Blocked Account Agreement"), in form and substance satisfactory to the Lender, acting reasonably, providing that all funds received or deposited in the Blocked Account are the property of the Lender, that BMO has no Lien upon, or right to set off against, the Blocked Account, the items received for deposit therein, or the funds from time to time on deposit therein and that BMO will wire, or otherwise transfer, in immediately available funds, on a daily basis, all funds received or deposited into the Blocked Account to the Lender's account, as the Lender may from time to time designate for such purpose. The Borrower agrees that all payments made to the Blocked Account or other funds received and collected by the Lender, shall be property of the Lender.
- (iii) The Borrower and all of its affiliates, subsidiaries, officers, employees, agents, directors or other persons (a "related person") shall, acting as trustee for the Lender, receive, as the property of the Lender, any monies, cheques, notes, drafts or any other payment which comes into the possession or under the control of the Borrower or, in the case of any related person, comes into its possession or under its control and is rightfully that of the Borrower, and immediately upon receipt thereof where received by the Borrower or upon becoming aware of the receipt thereof where received by a related person, the Borrower shall deposit or shall cause the same to be deposited in the Blocked Account, or remit the same or cause the same to be remitted, in kind, to the Lender. In no event shall the same be commingled with any of the Borrower's own funds. The Borrower agrees to reimburse the Lender on demand for any amounts owed or paid to BMO regarding the Blocked Account or any other bank or person involved in the transfer of funds to or from such Blocked Account arising out of the Lender's payments to or indemnification of such bank or person.
- (iv) The Lender shall apply amounts received from the Blocked Account to the Facility as applicable.

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- (v) The Borrower shall make all of its payments and disbursements only from its Disbursement Accounts.
- (vi) The Borrower and BMO shall make the necessary arrangements to provide view only electronic access to the Disbursement Accounts to the Lender.

**Conditions
Precedent:**

The availability of the Facility is subject to and conditional upon the following conditions:

- (i) satisfactory completion of due diligence and continual due diligence, including the Lender's review of the operations of the Borrower and its business and financial plans;
- (ii) satisfactory completion of the Lender's legal due diligence;
- (iii) receipt of a duly executed copy of this Agreement and the Security, in form and substance satisfactory to the Lender and its legal counsel, registered as required to perfect and maintain the security created thereby and such certificates, authorizations, resolutions and legal opinions as the Lender may reasonably require including an opinion from the Borrower's counsel with respect status and the due authorization, execution, delivery, validity and enforceability of this Agreement and the Security;
- (iv) the discharge or subordination of any and all existing security against the Borrower or the Guarantor as may be required by the Lender;
- (v) payment of all fees owing to the Lender hereunder;
- (vi) the Borrower shall have opened the Blocked Account at BMO and shall have entered into the Blocked Account Agreement;
- (vii) delivery of such financial and other information or documents relating to the Borrower or the Guarantor as the Lender may require;
- (viii) the Lender being satisfied that there has been no material deterioration in the financial condition of the Borrower or the Guarantor;
- (ix) no event shall have occurred and be continuing and no circumstance shall exist which has not been waived, which constitutes an Event of Default in respect of any material commitment, agreement or any other instrument to which the Borrower is a party or is otherwise bound, entitling any other party thereto to accelerate the maturity of amounts of principal owing thereunder or terminate any such material commitment, agreement or instrument which would have a material adverse effect upon the financial condition, property, assets, operation or business of the Borrower; and
- (x) no event that constitutes, or with notice or loss of time or both, would constitute an Event of Default shall have occurred.

Each of the following is a condition precedent to any subsequent advance to be made hereunder:

- (i) all of the conditions contained in this Agreement shall have been satisfied and shall as at the time of the making of the subsequent advance in question continue

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to be satisfied;

- (ii) all of the representations and warranties of the Borrower herein are true and correct on and as of such date as though made on and as of such date other than those representations and warranties which relate to a specific date which shall continue to be true as of such date;
- (iii) no event or condition has occurred and is continuing, or would result from such advance, which constitutes or which, with notice, lapse of time, or both, would constitute, a breach of any covenant or other term or condition of this Agreement or of the Security;
- (iv) such Borrowing will not violate any Applicable Law (which for the purposes of this Agreement means, with respect to any person, property, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction then in effect);
- (v) no Event of Default shall have occurred; and
- (vi) no other event shall have occurred that, in the Lender's sole discretion, acting reasonably, materially adversely affects or could materially adversely affect either: (i) the business, assets, liabilities, prospects, financial condition or operations of the Borrower, or (ii) the value of the Collateral.

The making of an advance hereunder without the fulfillment of one or more conditions set forth in this Agreement shall not constitute a waiver of any such condition, and the Lender reserves the right to require fulfillment of such condition in connection with any subsequent advance.

Nothing in this Agreement creates a legally binding obligation on the Lender to advance any amount under the Facility at any time unless the Lender is completely satisfied in its sole discretion that the Borrower is in compliance with every provision of this Agreement and that no fact exists or event has occurred which changes the manner in which the Lender previously evaluated the risks inherent in advancing amounts to the Borrower under the Facility, whether or not the Lender was or should have been aware of such facts or events differently at any time.

Covenants:

Each of the Borrower and the Guarantor covenant and agree with the Lender, while this Agreement is in effect to:

- (i) pay all sums of money when due hereunder or arising therefrom;
- (ii) provide the Lender with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant or other term or condition of this Agreement or of any of the Security given in connection therewith;
- (iii) use the proceeds of the Facility for the purposes provided for herein;
- (iv) continue to carry on business in the nature of or related to the business transacted by the Borrower prior to the date hereof in the name and for the account of the Borrower;

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- (v) keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
- (vi) subject to (vii), ensure all assets secured by the Security are in existence and in the possession and control of the Borrower;
- (vii) not sell, transfer, convey, lease or otherwise dispose of any of its properties or assets or permit any reorganization or change of control of the Borrower, other than inventory in the ordinary course of business and on commercially reasonable terms or as otherwise permitted herein;
- (viii) not sell, transfer, convey, encumber or otherwise dispose of any of its capital stock or permit any reorganization or change of control of the Borrower;
- (ix) not purchase or redeem its shares or otherwise reduce its capital;
- (x) not declare or pay any dividends or repay any shareholders' loans, interest thereon or share capital;
- (xi) not make loans or advances (excluding for greater certainty, salaries and bonuses (which shall not be funded from the sale of assets) payable in the ordinary course of business and in accordance with past practice) to shareholders, directors, officers or any other related or associated party;
- (xii) permit the Lender or its representatives, at any time and from time to time with such frequency as the Lender, in its sole discretion, may require, during business hours, to visit and inspect the Borrower's premises, properties and assets (including, without limitation, weekly inventory testing) and to examine and obtain copies of the Borrower's records or other information and discuss the Borrower's affairs with the auditors, counsel and other professional advisors of the Borrower all at the reasonable expense of the Borrower;
- (xiii) forthwith notify the Lender of the particulars of any occurrence which constitutes an Event of Default hereunder or of any action, suit or proceeding, pending or to the Borrower's knowledge threatened against the Borrower (the Lender acknowledging that it has been previously advised by the Borrower of certain ongoing litigation involving John Riddell in Ontario Superior Court of Justice Court File No. CV-12-445723 (the "Riddell Litigation"), in respect of which the Borrower shall provide monthly updates with the monthly compliance certificate noted in (xv)(d) below);
- (xiv) in a form and manner prescribed by the Lender (which may include by fax and/or e-mail), deliver to the Lender the following, signed by a senior officer of the Borrower:
 - (a) weekly by Friday of each week, a list of total invoiced sales completed during the preceding week and a list of credit notes and cash receipts received by the Borrower from its customers during the preceding week (Friday to Thursday inclusive);
 - (b) weekly by Friday of each week, the daily invoice register, credit note register and cash receipts register in respect of the preceding week (Friday to Thursday inclusive);
 - (c) weekly, by Friday of each week in respect of the preceding week (Friday to Thursday inclusive), an aged accounts receivable schedule, aged accounts

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payable schedule, detailed inventory schedule (including, work in progress, finished goods and raw materials) and summary trial balance;

- (d) monthly, by the 25th of each calendar month, a compliance certificate in form satisfactory to the Lender;
- (e) monthly, by the 25th of each calendar month in respect of the preceding month, internally prepared financial statements for the preceding month and internally prepared financial statements for the year to date;
- (f) monthly bank statements for all bank accounts of the Borrower within 15 days of its month-end;
- (g) monthly, by the 10th of each calendar month in respect of the preceding month proof of payments, in a form satisfactory to the Lender, of Priority Claims;
- (h) annually, no later than 30 days prior to the end of the Borrower's financial year, financial and business projections for the following financial year;
- (i) annually, within 90 days of the Borrower's and the Guarantor's financial year end in respect of the preceding financial year, review engagement financial statements for the Borrower and the Guarantor that were prepared by external auditors; and
- (j) such additional financial information with respect to Borrower and the Guarantor as and when requested by the Lender;

provided that in the event that the foregoing reporting does not meet the requirements of the Lender in its discretion, the Lender shall have the right to appoint a consultant of its choosing at the expense of the Borrower to assist with the reporting;

- (xv) file all tax returns which the Borrower must file from time to time, to pay or make provision for payment of all taxes (including interest and penalties) and other potential preferred claims which are or will become due and payable and to provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (xvi) not make capital expenditures in any financial year of the Borrower in excess of \$500,000 without the written consent of the Lender, which shall not be unreasonably withheld, with any capital expenditures to be reported monthly (and, for greater certainty, none of the proceeds from the Facility shall be used to finance capital expenditures);
- (xvii) not grant, create, assume or suffer to exist any mortgage, charge, Lien, pledge, security interest, including a purchase money security interest, or other encumbrance affecting any of the Borrower's properties, assets or other rights except for Encumbrances in existence, known to and approved by the Lender as the date hereof or from time to time;
- (xviii) not grant a loan or make an investment in or provide financial assistance to a third party (including, the Guarantor) by way of a suretyship, guarantee or otherwise;
- (xix) not change its name, merge, amalgamate or otherwise enter into any other form

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of business combination with any other entity without the prior written consent of the Lender not to be used unreasonably withheld;

- (xx) keep the Borrower's assets fully insured against such perils and in such manner as would be customarily insured by companies carrying on a similar business or owning similar assets naming the Lender as first loss payee and to ensure all assets secured by the Security are in existence and in the possession and control of the Borrower; and
- (xxi) comply with all the applicable health, construction, environmental and other laws and regulations; to advise the Lender promptly of any action, requests or violation notices received from any government or regulatory authority concerning the Borrower's operations; and to indemnify and hold the Lender harmless from all liability of loss as a result of any non-compliance with such laws and regulations.

**Security and other
Requirements:**

As general and continuing security for the performance by the Borrower of all of its obligations, present and future, to the Lender, including, without limitation, the repayment of advances granted hereunder and the payment of interest, fees and any other amounts provided for hereunder and under the security documents, the Borrower undertakes to grant to the Lender and to maintain at all times the following security in form satisfactory to the Lender (the "Security"), in accordance with the forms in use by the Lender or as prepared by its solicitors:

- (i) a Demand Promissory Notes evidencing the Facility;
- (ii) a General Security Agreement, on the Lender's form signed by the Borrower constituting a first ranking security interest in all personal property of the Borrower;
- (iii) an assignment of adequate all risk, business interruption, commercial general liability and property insurance (including the equipment of the Borrower in an amount not less than its appraised value) naming the Lender as first loss payee;
- (iv) a postponement and subordination of all directors, officers, shareholders, non-arm's length creditors and related party loans, to include a postponement of the right to receive any payments of both principal and interest under such loans;
- (v) a landlord waiver and consent in a form satisfactory to the Lender;
- (vi) a guarantee by the Guarantor in the limited amount of \$1,000,000 supported by a General Security Agreement, on the Lender's form constituting a first ranking security interest in all personal property of the Guarantor (registered in all applicable jurisdictions);
- (vii) an assignment of \$1,500,000 of key man life insurance over the life of Csaba Reider or undertaking to obtain the same satisfactory to the Lender within 30 days from the date of this Agreement; and
- (viii) such other security as may be required by the Lender.

**Events
of Default:**

Without limiting any other rights of the Lender under this Agreement, if any one or more of the following events (an "Event of Default") has occurred and is continuing:

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- (i) the Borrower fails to pay when due any principal, interest, fees or other amounts due under this Agreement or under any of the Security;
- (ii) the Borrower breaches any provision of this Agreement or any of the Security or other agreement with the Lender;
- (iii) the Borrower is in material default under the terms of any other contracts, agreements or otherwise with any other creditor ("material" for this purpose meaning a default that would reasonably be expected to give rise to a liability of the Borrower in excess of \$50,000 or cause a Material Adverse Effect and, for greater certainty, excluding the disputed consulting agreement between the Borrower and John Riddell which is the subject of the Riddell Litigation);
- (iv) the Lender receives from any present or future guarantor a notice proposing to terminate, limit or otherwise modify such guarantor's liability under its guarantee of the Borrower's indebtedness to the Lender under the Facility or under a security document or under any other document in favour of the Lender;
- (v) the Borrower ceases or threatens to cease to carry on business in the ordinary course;
- (vi) any default or failure by the Borrower to make any payment of, wages or other monetary remuneration payable by the Borrower to its employees under the terms of any contract of employment, oral or written, express or implied;
- (vii) any default or failure by the Borrower to keep current all amounts owing to parties other than the Lender who, in the Lender's sole opinion, have or could have a security interest, trust or deemed trust in the property, assets or undertaking of the Borrower which, in the Lender's sole opinion could rank in priority to the security held by the Lender upon the property, assets and undertaking of the Borrower;
- (viii) any breach by a guarantor of the provisions of any guarantee or other security, undertaking or covenant given to the Lender to secure any guarantee;
- (ix) if any representation or warranty made or deemed to have been made herein or in any certificate or the Security provided for herein shall be false or inaccurate;
- (x) if, in the reasonable opinion of the Lender, there is a Material Adverse Change in the financial condition, ownership or operation of any of the Borrower;
- (xi) the Borrower is unable to pay its debts as such debts become due, or is adjudged or declared to be or admit to being bankrupt or insolvent;
- (xii) any judgment or award is made against the Borrower or the Guarantor in excess of \$25,000 in respect of which there is not an appeal or proceeding for review being diligently pursued in good faith and in respect of which adequate provision has been made on the books of the Borrower or the Guarantor, as applicable; or
- (xiii) any notice of intention is filed or any voluntary or involuntary case or proceeding filed or commenced for:
 - (a) the bankruptcy, liquidation, winding-up, dissolution or suspension of general operations of the Borrower;

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- (b) the composition, rescheduling, reorganization, arrangement or readjustment of, or other relief from, or stay of proceedings to enforce, some or all of the debts of the Borrower;
- (c) the appointment of a trustee, receiver, receiver and manager, liquidator, administrator, custodian or other official for, all or any significant part of the assets of the Borrower;
- (d) the possession, foreclosure, retention, sale or other disposition of, or other proceedings to enforce security over, all or any significant part of the assets of the Borrower; or
- (e) any secured creditor, encumbrancer or lienor, or any trustee, receiver, receiver and manager, agent, bailiff or other similar official appointed by or acting for any secured creditor, encumbrancer or lienor, takes possession of or forecloses or retains, or sells or otherwise disposes of, or otherwise proceeds to enforce security over all or any significant part of the assets of the Borrower or gives notice of its intention to do any of the foregoing;

then, in such event, the Lender may, by written notice to the Borrower declare all monies outstanding under the Facility to be immediately due and payable. Upon receipt of such written notice, the Borrower shall immediately pay to the Lender all monies outstanding under the Facility and all other obligations of the Borrower to the Lender in connection with the Facility under this Agreement. The Lender may enforce its rights to realize upon its security and retain an amount sufficient to secure the Lender for the Borrower's obligations to the Lender.

Nothing contained in this section shall limit any right of the Lender under this Agreement to demand payment of the Facility at any time.

**Evidence of
Indebtedness:**

The Lender shall maintain records evidencing the Facility. The Lender shall record the principal amount of the Facility, the payment of principal and interest on account of the Facility, and all other amounts becoming due to the Lender under this Agreement.

The Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Lender pursuant to this Agreement.

**Representations
and Warranties:**

The Borrower represents and warrants to the Lender that:

- (i) each of the Borrower and the Guarantor is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of Ontario or any other jurisdiction where they may carry on business;
- (ii) the execution, delivery and performance by the Borrower and the Guarantor of this Agreement has been duly authorized by all necessary actions and do not violate the constituting documents or any Applicable Laws or agreements to which the Borrower and the Guarantor is subject or by which they are bound;
- (iii) the Borrower's and the Guarantor's financial statements most recently provided to the Lender fairly present their financial positions as of the date thereof and its results of operations and cash flows for the fiscal period covered thereby, and since the date of such financial statements, there has occurred no Material Adverse Change in the Borrower's and the Guarantor's business or financial

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condition;

- (iv) there is no claim, action, prosecution or other proceeding of any kind pending or threatened against the Borrower or the Guarantor or any of their respective assets or properties before any court or administrative agency which relates to any non-compliance with any environmental law which, if adversely determined, might have a material adverse effect upon its financial condition or operations or its ability to perform its obligations under this Agreement or any of the Security, and there are no circumstances of which the Borrower or the Guarantor is aware which might give rise to any such proceeding which has not been fully disclosed to the Lender;
- (v) the Borrower and the Guarantor have good and marketable title to all of their properties and assets, free and clear of any Encumbrances, other than as may be provided for herein;
- (vi) no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default, a breach of any covenant or other term or condition of this Agreement or any of the Security given in connection therewith;
- (vii) the Borrower and the Guarantor have filed all tax returns which were required to be filed by them, if any, paid or made provision for payment of all taxes and potential prior ranking claims (including interest and penalties) which are due and payable, if any and provided adequate reserves for payment of any tax, the payment of which is being contested, if any; and
- (viii) the Borrower's obligation to complete this transaction is not dependent upon any condition whatsoever, and that the Lender assumes no obligation to assist the Borrower to complete the transaction in any way, except to make available the Facility as contemplated herein.

**Field Examinations /
Appraisals:**

- (i) In addition to weekly inventory testing / audits at the discretion of the Lender, the Borrower acknowledges that the Lender and its examiners shall be permitted to conduct periodic field examinations of the Collateral and operations of the Borrower, such examinations not to exceed four (4) in any calendar year prior to an Event of Default and more frequently as the Lender may determine in its sole discretion thereafter.
- (ii) The Borrower further acknowledges that the Lender shall be permitted to obtain two (2) inventory valuations and one (1) equipment valuation in any calendar year prior to an Event of Default which is continuing and more frequently as the Lender may determine in its sole discretion thereafter.

Environmental:

In relation to the Borrower's business, assets and projects: the Borrower is operating and will continue to operate in conformity with all environmental laws; there are no contaminants, pollutants or other hazardous substances (including, without limitation, asbestos, products containing urea formaldehyde or polychlorinated biphenyl or any radioactive substances) have been or are now stored or located at any property from which the Borrower operates its business (collectively, the "Properties") and no order, approval, direction or other governmental or regulatory notice relating to the environment has been threatened against, is pending or has been issued with respect to the Properties or the operations of the business being conducted at the Properties; the Borrower is not aware of any pending or threatened action, suit or proceedings relating to any actual or alleged environmental violation from or at the Properties, nor have any proceedings been

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or are being instituted to make the Borrower or any other owner of the subject property comply with environmental laws and regulations; the Borrower will ensure that all of its property and assets comply with existing legislation and will remain free of any environmental problem; the Borrower will inform the Lender immediately upon becoming aware of any environmental problem or issue and will provide the Lender with copies of all communications with environmental authorities and all studies or assessments prepared on the Borrower's behalf, all as soon as received by the Borrower; the Borrower also agrees to pay the cost of any external environmental consultant engaged by the Lender to effect an environmental audit and the cost of any environmental rehabilitation, removal or repair necessary to protect, preserve or remediate the assets, including any fine or penalty the Lender is obligated to incur by reason of any statute, order or directive by a competent authority. The Borrower agrees to indemnify the Lender for any liability arising from an environmental problem including, without limitation, for all decontamination and decommissioning costs or for damages incurred by the Lender or its agents as a result of such contamination. For the purposes of this Agreement, an "environmental problem" means an act of non-compliance to a law, regulation, etc. or soil and/or underground water that contains one or many pollutants (contaminants) in levels of concentration that exceed parameters or norms applicable for the present use and intended use of any of the Borrower's personal or real property including leased property.

In the event any environmental report shows that decontamination is required the Borrower undertakes to forthwith carry out decontamination at its own expense should this be required or requested.

Confidentiality:

The Borrower and the Guarantor agree to keep all of the information and terms related to this Agreement confidential. In particular, the existence of this Agreement or the discussions surrounding this Agreement cannot be disclosed to any party, including other creditors, without the Lender's prior written consent. The parties acknowledge and agree that information and terms related to this Agreement have been disclosed to Danbury Financial Services in connection with the Borrower's ongoing discussions with Danbury Financial Services and have been or may be disclosed to BMO and shall not be considered breaches of the foregoing confidentiality provisions.

General:

Credit: The Borrower and the Guarantor authorize the Lender, hereinafter, to obtain such factual and investigative information regarding the Borrower or the Guarantor from others as permitted by law, to furnish other consumer credit grantors and credit bureaus such information. The Lender, after completing credit investigations, which it will make from time to time concerning the Borrower and the Guarantor, must in its absolute discretion be satisfied with all information obtained, prior to any advance being made under the Facility.

The Borrower and the Guarantor further authorize any financial institution, creditor, tax authority, employer or any other person, including any public entity, holding information concerning the Borrower or the Guarantor or their assets, including any financial information or information with respect to any undertaking or suretyship given by the Borrower or the Guarantor, to supply such information to the Lender in order to verify the accuracy of all information furnished or to be furnished from time to time to the Lender and to ensure the solvency of the Borrower and the Guarantor at all times.

Non-Merger: The provisions of this Agreement shall not merge with any of the Security, but shall continue in full force and effect for the benefit of the parties hereto. In the event of an inconsistency between this Agreement and any of the Facility and security documentation, including the Security, the provisions of this Agreement shall prevail.

Further Assurances and Documentation: The Borrower and the Guarantor shall do all

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things and execute all documents deemed necessary or appropriate by the Lender for the purposes of giving full force and effect to the terms, conditions, undertakings hereof and the Security granted or to be granted hereunder.

Severability: If any provisions of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Agreement.

Marketing: The Lender shall be permitted to use the name of the Borrower and the amount of the Facility for advertising purposes.

Governing Law: This Agreement and all agreements arising hereinafter shall be deemed to have been made and accepted in the City of Toronto, Ontario and construed in accordance with and be governed by the laws of the Province of Ontario and of Canada applicable therein.

Counterparts: This Agreement, the Security and all agreements arising hereinafter may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by telecopier, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

Assignment and Syndication: This Agreement when accepted and any commitment to advance, if issued, and the Security in furtherance thereof or any warrant or right may be assigned by the Lender, or monies required to be advanced may be syndicated by the Lender from time to time. For greater certainty, the Lender may assign or grant participation in all or part of this Agreement or in the Facility made hereunder without notice to and without the Borrower's consent. The Borrower may not assign or transfer all or any part of its rights or obligations under this Agreement, any such transfer or assignment being null and void insofar as the Lender is concerned and rendering any balance then outstanding under the Facility immediately due and payable at the option of the Lender. Any information provided to any syndicate members shall be communicated to the members on a confidential basis and shall be maintained by the syndicate members on a confidential basis and used by them solely in connection with the Facility.

Joint and Several: Where more than one person is liable as the Borrower or Guarantor for any obligation under this Agreement, then the liability of each such person for such obligation is joint and several with each other such person.

Time: Time shall be of the essence in all provisions of this Agreement.

Whole Agreement, Amendments and Waiver: This Agreement, the Security and any other written agreement delivered pursuant to or referred to in this Agreement constitute the whole and entire agreement between the parties in respect of the Facility. There are no verbal agreements, undertakings or representations in connection with the Facility. No amendment or waiver of any provision of this Agreement will be effective unless it is in writing signed by the Borrower, the Guarantor and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under any of the Security shall operate as a waiver thereon. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Agreement and the Security or the Lender's rights thereunder.

Expiration:

This Agreement must be accepted by the Borrower and the Guarantor by no later than 5:00 pm on January 18, 2013, after which this Agreement will expire.

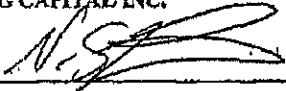
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If the terms and conditions of this Agreement are acceptable to you, please sign in the space indicated below and return the signed copy of this Agreement to us. Acceptance may also be effected by facsimile or scanned transmission and in counterpart.

We thank you for allowing us the opportunity to provide you with this Agreement.

Yours truly,

BRIDGING CAPITAL INC.

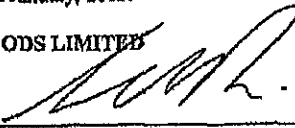
Per: 
Name:
Title:

I have authority to bind the Corporation.

ACCEPTANCE

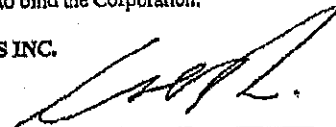
The undersigned hereby accepts this Agreement as of this 13th day of January, 2013.

SUN PAC FOODS LIMITED

Per: 
Name: Csaba Reider
Title: President

I have authority to bind the Corporation.

LIQUIBRANDS INC.

Per: 
Name: Csaba Reider
Title: President

I have authority to bind the Corporation.

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Schedule A
Definitions

In addition to terms defined elsewhere in this Agreement, the following terms shall have the following meanings:

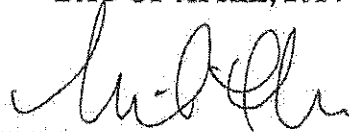
- (a) "Applicable Laws" means, with respect to any person, property, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction.
- (b) "BMO" means Bank of Montreal including Harris Bank.
- (c) "Business Day" means any day other than a Saturday or a Sunday or any other day on which banks are closed for business in Toronto.
- (d) "Collateral" means all of the Borrower's and the Guarantor's personal property.
- (e) "Disbursement Accounts" means specifically account / transit numbers 1053912/0470 (CAD\$) and 4612684/0002 (US\$) at BMO from which the Borrower shall make all of its payments and disbursements.
- (f) "Encumbrances" means any mortgage, Lien, pledge, assignment, charge, security interest, title retention agreement, hypothec, levy, execution, seizure, attachment, garnishment, right of distress or other claim in respect of property of any nature or kind whatsoever howsoever arising (whether consensual, statutory or arising by operation of law or otherwise) and includes arrangements known as sale and lease-back, sale and buy-back and sale with option to buy-back or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the PPSA or Uniform Commercial Code (or equivalent statutes) of any jurisdiction.
- (g) "Equipment Appraisal" means the appraised forced sale value of the Borrower's machinery and equipment as determined by a current appraisal of same conducted at the Borrower's expense by Hifco and addressed to and delivered to the Lender and in a form and with content satisfactory to the Lender in its discretion.
- (h) "Lien" means any mortgage, charge, pledge, hypothecation, security interest, assignment, encumbrance, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature or any other arrangement or condition that in substance secures payment or performance of an obligation.
- (i) "Material Adverse Change" means any change, condition or event which, when considered individually or together with other changes, conditions, events or occurrences could reasonably be expected to have a Material Adverse Effect.
- (j) "Material Adverse Effect" means a material adverse effect on (i) the business, revenues, operations, assets, liabilities (contingent or otherwise), financial condition or prospects of the Borrower; (ii) on the rights and remedies of the Lender under this Agreement and the Security; (iii) on the ability of the Borrower to perform its obligations under the Credit Documents; or (iv) on the Liens created by the Security Agreements.
- (k) "person" includes a natural person, a partnership, a joint venture, a trust, a fund, an unincorporated organization, a company, a corporation, an association, a government or any department or agency thereof, and any other incorporated or unincorporated entity.

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- (l) "PPSA" means the *Personal Property Security Act* (Ontario) as the same may be amended from time to time.
- (m) "Priority Claims" means the aggregate of any amounts accrued or payable by the Borrower which under any law may rank prior to or *pari passu* with any of the Security Agreements or otherwise in priority to any claim by the Lender for payment or repayment of any amounts owing under this Agreement, including: (i) wages, salaries, commissions or other remuneration; (ii) vacation pay; (iii) pension plan contributions; (iv) amounts required to be withheld from payments to employees or other persons for federal and provincial income taxes, employee Canadian Pension Plan contributions and employee Employment Insurance premiums, additional amounts payable on account of employer Canada Pension Plan contributions and employer Employment Insurance premiums; (v) harmonized sales tax; (vi) provincial sales or other consumption taxes; (vii) Workers' Compensation Board and Workplace Safety and Insurance Board premiums or similar premiums; (viii) real property taxes; (ix) rent and other amounts payable in respect of the use of real property; (x) amounts payable for repair, storage, transportation or construction or other services which may give rise to a possessory or registrable lien; (xi) claims which suppliers could assert pursuant to Section 81.1 or Section 81.2 of the *Bankruptcy and Insolvency Act* (Canada); and (xii) WEPPA Claims.
- (n) "Statutory Encumbrances" means any Encumbrances arising by operation of Applicable Laws, including, without limitation, for carriers, warehousemen, repairers, taxes, assessments, statutory obligations and government charges and levies for amounts not yet due and payable or which may be past due but which are being contested in good faith by appropriate proceedings (and as to which there are no other enforcement proceedings or they shall have been effectively stayed).
- (o) "WEPPA Claims" means any claims made against the Borrower pursuant to the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1, as the same may be amended, restated or replaced from time to time.

Words importing the singular include the plural thereof and vice versa and words importing gender include the masculine, feminine and neuter genders.

THIS IS EXHIBIT "D" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

GUARANTEE AND POSTPONEMENT

**TO: Bridging Capital Inc.
95 Wellington Street West
Suite 915
Toronto, ON
M5J 2N7**

**Attention: Brian Champ
Facsimile: (416) 633-4959**

RECITALS:

A. **Sun Pac Foods Limited** (collectively, the "**Debtor**") is indebted or liable or may become indebted or liable to **Bridging Capital Inc.** (the "**Creditor**"); and

B. It is in the interests of **Liquibrands Inc.** (the "**Guarantor**") that the Creditor extend credit (or continue to extend credit) to the Debtor and therefore the Guarantor is prepared to issue this Guarantee to the Creditor;

For valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by the Guarantor, the Guarantor hereby agrees in favour of the Creditor as follows:

1. **Limited Guarantee.** The Guarantor hereby unconditionally and irrevocably guarantees, jointly and severally as a primary obligor and not merely as a surety, the prompt payment and performance to the Creditor, forthwith upon demand by the Creditor, of all indebtedness, liabilities and obligations of any kind whatsoever (whether direct or indirect, joint or several, absolute or contingent, matured or unmatured) which the Debtor has incurred or may incur or be under to the Creditor pursuant to the loan agreement entered into between the Creditor and the Debtor on or about the date hereof as the same may be amended, restated, revised or replaced from time to time (collectively, the "**Obligations**") to the maximum principal amount of \$1,000,000 plus interest and costs. All amounts payable by the Guarantor hereunder will be paid to the Creditor at the address of the Creditor shown above or as otherwise directed in writing by the Creditor. Any amounts payable by the Guarantor under this Guarantee which are not paid forthwith upon demand therefor by the Creditor will bear interest from the date of such demand at the rate or rates applicable to the corresponding Obligations. For greater certainty, notwithstanding any other provisions of this Guarantee, the guarantee and obligations of the Guarantor under this Guarantee shall be limited to and shall not exceed the maximum principal amount of \$1,000,000 plus interest and costs.

2. **Guarantee Unconditional.** The obligations of the Guarantor under this Guarantee are continuing, unconditional and absolute and, without limiting the generality of the foregoing, will not be released, discharged, diminished, limited or otherwise affected by (and the Guarantor hereby waives, to the fullest extent permitted by applicable law): (a) any extension, other indulgence, renewal, settlement, discharge, compromise, waiver, subordination or release in respect of any Obligation, security, person or otherwise; (b) any modification or amendment of or supplement to the Obligations, including any increase or decrease in the principal, the rates of interest or other amounts payable thereunder; (c) any release, non-perfection or invalidity of any direct or indirect security for any Obligation; (d) any change in the existence, structure, constitution, name, objects, powers, business, control or ownership of the Debtor or any other person, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Debtor or any other person or its assets; (e) the existence of any claim, set-off or other rights which the Guarantor may have at any time against the Debtor, the Creditor, or any

other person, whether in connection herewith or any unrelated transactions; (f) any invalidity, illegality or unenforceability relating to or against the Debtor or any provision of applicable law or regulation purporting to prohibit the payment by the Debtor of the principal or interest under the Obligations; (g) any limitation, postponement, prohibition, subordination or other restriction on the rights of the Creditor to payment of the Obligations; (h) any release, substitution or addition of any cosigner, endorser or other guarantor of the Obligations; (i) any defence arising by reason of any failure of the Creditor to make any presentment, demand for performance, notice of non-performance, protest, and any other notice, including notice of all of the following: acceptance of this Guarantee, partial payment or non-payment of all or any part of the Obligations and the existence, creation, or incurring of new or additional Obligations; (j) any defence arising by reason of any failure of the Creditor to proceed against the Debtor or any other person, to proceed against, apply or exhaust any security held from the Debtor or any other person for the Obligations, to proceed against, apply or exhaust any security held from the Guarantor or any other person for this Guarantee or to pursue any other remedy in the power of the Creditor whatsoever; (k) any law which provides that the obligation of a guarantor must neither be larger in amount nor in other respects more burdensome than that of the principal obligation or which reduces a guarantor's obligation in proportion to the principal obligation; (l) any defence arising by reason of any incapacity, lack of authority, or other defence of the Debtor or any other person, or by reason of any limitation, postponement, prohibition on the Creditor's right to payment of the Obligations or any part thereof, or by reason of the cessation from any cause whatsoever of the liability of the Debtor or any other person with respect to all or any part of the Obligations, or by reason of any act or omission of the Creditor or others which directly or indirectly results in the discharge or release of the Debtor or any other person or all or any part of the Obligations or any security or guarantee therefor, whether by contract, operation of law or otherwise; (m) any defence arising by reason of any failure by the Creditor to obtain, perfect or maintain a perfected or prior (or any) security interest in or lien or encumbrance upon any property of the Debtor or any other person, or by reason of any interest of the Creditor in any property, whether as owner thereof or the holder of a security interest therein or lien or encumbrance thereon, being invalidated, voided, declared fraudulent or preferential or otherwise set aside, or by reason of any impairment by the Creditor of any right to recourse or collateral; (n) any defence arising by reason of the failure of the Creditor to marshal any assets; (o) any defence based upon any failure of the Creditor to give to the Debtor or the Guarantor notice of any sale or other disposition of any property securing any or all of the Obligations or any guarantee thereof, or any defect in any notice that may be given in connection with any sale or other disposition of any such property, or any failure of the Creditor to comply with any provision of applicable law in enforcing any security interest in or lien upon any such property, including any failure by the Creditor to dispose of any such property in a commercially reasonable manner; (p) any dealing whatsoever with the Debtor or other person or any security, whether negligently or not, or any failure to do so; (q) any defence based upon or arising out of any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, liquidation or dissolution proceeding commenced by or against the Debtor or any other person, including any discharge of, or bar against collecting, any of the Obligations, in or as a result of any such proceeding; or (r) any other act or omission to act or delay of any kind by the Debtor, the Creditor, or any other person or any other circumstance whatsoever, whether similar or dissimilar to the foregoing, which might, but for the provisions of this Section 2, constitute a legal or equitable discharge, limitation or reduction of the Guarantor's obligations hereunder (other than the payment or extinguishment in full of all of the Obligations). The foregoing provisions apply (and the foregoing waivers will be effective) even if the effect of any action (or failure to take action) by the Creditor is to destroy or diminish the Guarantor's subrogation rights, the Guarantor's right to proceed against the Debtor for reimbursement, the Guarantor's right to recover contribution from any other guarantor or any other right or remedy.

3. **Reliance on Agents.** The Creditor is entitled to assume, notwithstanding any investigation by or on behalf of the Creditor, the power of the Debtor and the Guarantor and the authority of the officers, directors or agents acting or purporting to act on behalf of the Debtor or the Guarantor, and any Obligations made or created in reliance upon the exercise of such power or authority will be guaranteed hereunder.
4. **Recourse against Debtor.** The Creditor is not required to exhaust its recourse against the Debtor or others or under any other security or guarantee before being entitled to payment from the Guarantor under this Guarantee.
5. **Settlement of Accounts.** Any account settled or stated between the Creditor and the Debtor will be accepted by the Guarantor as *prima facie* evidence that the amount thereby appearing due by the Debtor to the Creditor is so due.
6. **No Waiver.** No delay on the part of the Creditor in exercising any of its options, powers or rights, or partial or single exercise thereof, will constitute a waiver thereof. No waiver of any of its rights hereunder, and no modification or amendment of this Guarantee, will be deemed to be made by the Creditor unless the same will be in writing, duly signed on behalf of the Creditor, and each such waiver, if any, will apply only with respect to the specific instance involved, and will in no way impair the rights of the Creditor or the liabilities of the Guarantor to the Creditor in any other respect at any other time.
7. **Guarantee of all Moneys Borrowed.** All moneys and credits in fact borrowed or obtained by the Debtor from the Creditor pursuant to the Loan Agreement, will be deemed to form part of the Obligations notwithstanding any incapacity, disability or lack or limitation of status or power of the Debtor or of the directors, officers, employees, partners or agents thereof, or that the Debtor may not be a legal entity, or any irregularity, defect or informality in the borrowing or obtaining of such moneys or credits. Any amount which may not be recoverable from the Guarantor by the Creditor on the basis of a guarantee will be recoverable by the Creditor from the Guarantor as principal debtor in respect thereof and will be paid to the Creditor forthwith after demand therefor as herein provided.
8. **Stay of Acceleration.** If acceleration of the time for payment of any amount payable by the Debtor in respect of the Obligations is stayed upon the insolvency, bankruptcy or reorganization of the Debtor or any moratorium affecting the payment of the Obligations, all such amounts otherwise subject to acceleration will nonetheless be payable by the Guarantor hereunder forthwith on demand by the Creditor.
9. **Reinstatement.** If, at any time, all or any part of any payment previously applied by the Creditor to any Obligation is or must be rescinded or returned by the Creditor for any reason whatsoever (including, without limitation, the insolvency, bankruptcy, or reorganization of the Debtor), such Obligation will, for the purpose of this Guarantee, to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence, notwithstanding such application by the Creditor, and this Guarantee will continue to be effective or be reinstated, as the case may be, as to such Obligation, all as though such application by the Creditor had not been made.
10. **No Subrogation.** Notwithstanding any payment made by the Guarantor under this Guarantee or any setoff or application of funds of the Guarantor by the Creditor, the Guarantor will have no right of subrogation to, and waives, to the fullest extent permitted by law,

any right to enforce any remedy which the Creditor now has or may hereafter have against the Debtor, until all of the Obligations have been indefeasibly paid in full; and until that time, the Guarantor waives any benefit of, and any right to participate in, any security, whether real or personal property, now or hereafter held by the Creditor for the Obligations.

11. **Assignment and Postponement.** All present and future indebtedness and liability of the Debtor to the Guarantor is hereby assigned by the Guarantor to the Creditor and postponed to the Obligations and all moneys received by the Guarantor in respect thereof will be received in trust for and, unless prior written authorization from the Creditor to the contrary will have been obtained by the Guarantor, will be paid over to the Creditor upon demand by the Creditor. If the Creditor receives from the Guarantor a payment or payments in full or on account of the liability of the Guarantor hereunder, the Guarantor will not be entitled to claim repayment against the Debtor until the Creditor's claims against the Debtor have been paid in full. In case of liquidation, winding up or bankruptcy of the Debtor (whether voluntary or involuntary) or if the Debtor will make a bulk sale of any of its assets within the bulk transfer provisions of any applicable legislation or any composition with creditors or scheme of arrangement, the Creditor will have the right to rank for its full claims and receive all dividends or other payments in respect thereof in priority to the Guarantor until the claims of the Creditor have been paid in full, and the Guarantor will continue liable hereunder for any balance which may be owing to the Creditor by the Debtor. In the event of the valuation by the Creditor of any of its security and/or the retention thereof by the Creditor, such valuation and/or retention will not, as between the Creditor and the Guarantor, be considered as a purchase of such security, or as payment or satisfaction or reduction of the Obligations or any part thereof. The foregoing provisions of this Section 11 will not in any way limit or lessen the liability of the Guarantor under any other Section of this Guarantee.

12. **Foreign Currency Obligations.** The Guarantor will make payment relative to each Obligation in the currency (the "Original Currency") in which the Debtor is required to pay such Obligation. If the Guarantor makes payment relative to any Obligation to the Creditor in a currency (the "Other Currency") other than the Original Currency (whether voluntarily or pursuant to an order or judgment of a court or tribunal of any jurisdiction), such payment will constitute a discharge of the liability of the Guarantor hereunder in respect of such Obligation only to the extent of the amount of the Original Currency which the Creditor is able to purchase at Toronto, Ontario with the amount it receives on the date of receipt. If the amount of the Original Currency which the Creditor is able to purchase is less than the amount of such currency originally due to it in respect to the relevant Obligation, the Guarantor will indemnify and save the Creditor harmless from and against any loss or damage arising as a result of such deficiency. This indemnity will constitute an obligation separate and independent from the other obligations contained in this Guarantee, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Creditor and will continue in full force and effect notwithstanding any judgment or order in respect of any amount due hereunder or under any judgment or order.

13. **Taxes and Set-off by Guarantor.** All payments to be made by the Guarantor hereunder will be made without set-off or counterclaim and without deduction for any taxes, levies, duties, fees, deductions, withholdings, restrictions or conditions of any nature whatsoever. If at any time any applicable law, regulation or international agreement requires the Guarantor to make any such deduction or withholding from any such payment, the sum due from the Guarantor with respect to such payment will be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Creditor receives a net sum equal to the sum which it would have received had no deduction or withholding been required.

14. **Payment of Expenses; Indemnification.** The Guarantor will pay on demand, and will indemnify and save the Creditor harmless from, any and all liabilities, costs and expenses (including reasonable legal fees and expenses on a solicitor and own client basis and any sales, goods and services or other similar taxes payable to any governmental authority with respect to any such liabilities, costs and expenses) (a) incurred by the Creditor in the preparation, registration, administration or enforcement of this Guarantee, (b) with respect to, or resulting from, any failure or delay by the Guarantor in performing or observing any of its obligations under this Guarantee, or (c) incurred by the Creditor in performing or observing any of the other covenants of the Guarantor under this Guarantee.

15. **Additional Security.** This Guarantee is in addition and without prejudice to any security of any kind (including other guarantees) now or hereafter held by the Creditor and any other rights or remedies that the Creditor might have.

16. **Set-off by Creditor.** The Creditor may, to the fullest extent permitted by law, set-off and apply any and all deposits at any time held by the Creditor and any other indebtedness at any time owing by the Creditor to or for the credit or for the account of the Guarantor against any and all of the Obligations of the Guarantor now or hereafter existing under this Guarantee even if (a) the Creditor has not made any demand hereunder, (b) Obligations are contingent or unmatured, or (c) the Obligations are not in the same currency as the offsetting deposits or indebtedness which may be owing by the Creditor.

17. **Corporate Changes.** If the Guarantor is a corporation, the Guarantor will not engage in any fundamental corporate change including, without limitation, any amalgamation, continuation, reorganization, arrangement, reduction in capital, liquidation, dissolution or winding-up, without the Creditor's prior written consent.

18. **Release of Information.** The Guarantor authorizes the Creditor to provide a copy of this Guarantee and such other information as may be requested of the Creditor by persons entitled thereto pursuant to any applicable legislation, and otherwise with the consent of the Debtor.

19. **Governing Law; Attornment.** This Guarantee will be governed by and construed in accordance with the laws of the Province of Ontario. Without prejudice to the ability of the Creditor to enforce this Guarantee in any other proper jurisdiction, the Guarantor irrevocably submits and attorns to the non-exclusive jurisdiction of the courts of such province. To the extent permitted by applicable law, the Guarantor irrevocably waives any objection (including any claim of inconvenient forum) that it may now or hereafter have to the venue of any legal proceeding arising out of or relating to this Guarantee in the courts of such Province.

20. **Successors and Assigns.** This Guarantee will extend and enure to the benefit of the Creditor and its successors and assigns and will be binding upon the Guarantor and its successors. The Guarantor's obligations hereunder will not be assigned or delegated. The Creditor may from time to time, and without notice to or the consent of the Guarantor, assign or transfer all or any of the Obligations or any interest therein; and, notwithstanding any such assignment or transfer or any subsequent assignment or transfer thereof, any such Obligation or part thereof so transferred or assigned will remain an "Obligation" for the purposes of this Guarantee and any immediate and successive assignee or transferee of any Obligation or any interest therein will, to the extent of the interest so assigned or transferred, be entitled to the

benefit of, and the right to enforce, this Guarantee to the same extent as if such person were the Creditor.

21. **Time.** Time is of the essence with respect to this Guarantee and the time for performance of the obligations of the Guarantor under this Guarantee may be strictly enforced by the Creditor.

22. **Severability.** If any provision of this Guarantee is determined to be illegal, unconscionable or unenforceable, all other terms and provisions hereof will nevertheless remain effective and will be enforced to the fullest extent permitted by law.

23. **Communication.** Any communication required or permitted to be given under this Guarantee will be in writing and will be effectively given if (i) delivered personally, (ii) sent by prepaid courier service or mail, or (iii) sent prepaid by facsimile transmission or other similar means of electronic communication, in each case to the address or facsimile number of the Guarantor or Creditor set out in this Guarantee. Any communication so given will be deemed to have been given and to have been received on the day of delivery if so delivered, or on the day of facsimile transmission or sending by other means of recorded electronic communication provided that such day is a business day and the communication is so delivered or sent prior to 4:30 p.m. (local time at the place of receipt). Otherwise, such communication will be deemed to have been given and to have been received on the following business day. Any communication sent by mail will be deemed to have been given and to have been received on the fifth business day following mailing, provided that no disruption of postal service is in effect. The Guarantor and the Creditor may from time to time change their respective addresses or facsimile numbers for notice by giving notice to the other in accordance with the provisions of this Section.

24. **Representations and Warranties.** The Guarantor represents and warrants to the Creditor, upon each of which representations and warranties the Creditor specifically relies, as follows:

(1) **Litigation.** Except as disclosed to the Creditor, there is no litigation or governmental proceeding pending or, to the best of its knowledge, threatened against the Guarantor which, if adversely determined, would materially adversely affect the financial condition of the Guarantor.

(2) **Burdensome Provisions, etc.** The Guarantor is not a party to any agreement or instrument, or subject to any corporate restriction or any judgment, order, writ, injunction, decree, award, rule or regulation, which materially adversely affects or, to the best of its knowledge, in the future is likely to materially and adversely affect, its ability to issue the Guarantee or to perform its obligations under this Guarantee.

(3) **Contingent Liabilities and Debt.** The Guarantor has no contingent liabilities which are not disclosed on or referred to in the financial statements most recently delivered to the Creditor which would have a material adverse effect on its business or prospects.

(4) **Full Disclosure.** Neither the financial statements most recently delivered to the Creditor nor any other written statement furnished by or on behalf of and at the direction of the Guarantor to the Creditor in connection with the negotiation or consummation of the transactions as contemplated hereby contain, as of the time such statements were so furnished, any untrue statement of a material fact or omitted as of such time, a material fact necessary to make the statements contained therein not misleading, and all such statements, taken as a

whole, together with this Guarantee, do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading.

(5) Material Adverse Change. Since the date of the most recent financial statements delivered to the Creditor and except as otherwise disclosed to the Creditor in writing (i) there has been no material adverse change in the financial condition of the Guarantor as shown on its balance sheet as at that date; and (ii) the business, operations, properties, condition, financial or otherwise, or prospects of the Guarantor have not, so far as the Guarantor can reasonably foresee, been materially and adversely affected as a result of any act or event including, without limitation, fire, accident, strike, expropriation or act of any government in Canada or elsewhere.

(6) Consents. No consent, approval or authorization of, or declaration, registration, filing or qualification with, or giving of notice to, or taking of any other action, in respect of, any Person, governmental authority or agency is required on the part of the Guarantor in connection with the execution and delivery and enforcement of this Guarantee.

(7) Due Execution, etc. This Guarantee has been duly executed and delivered by or on behalf of the Guarantor and constitutes a valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as enforceability may be limited by any bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(8) No Default, etc. Neither the execution nor the delivery of this Guarantee, the consummation of the transactions herein contemplated, nor compliance with the terms, conditions and provisions hereof conflicts with or will conflict with, or results or will result in, any breach of, or constitutes a default under any of the provisions of any agreement or instrument to which the Guarantor is a party or by which the Guarantor, or any of its property or assets are bound or (except as contemplated by this Guarantee) results or will result in the creation or imposition of any encumbrance upon any of the properties or assets of the Guarantor or results or will result in the contravention of any law or rule or regulation to which the Guarantor or its property or assets are subject and as a consequence of which the ability of the Guarantor to perform its obligations under this Guarantee is or would likely be adversely affected.

(9) Tax Returns. The Guarantor has filed all tax returns which are required to be filed and has paid all taxes which have become due as shown on such returns or any assessments received by the Guarantor where failure to do so would have a material adverse effect on the business, operations or financial condition of the Guarantor or its ability to perform its obligations under this Guarantee, except such taxes (if any) as are being contested in good faith by appropriate proceedings and for which a reserve reasonably satisfactory to the Creditor is provided; and the Guarantor is not aware of any proposed additional tax assessment against it.

25. Reporting Requirements. The Guarantor shall furnish to the Creditor:

- (i) promptly upon the Guarantor obtaining knowledge of any condition or event which constitutes a default or an event of default under the credit arrangements between the Debtor and the Creditor, a certificate of the Guarantor specifying the nature and occurrence of such default or event

of default and what action the Debtor or the Guarantor has taken or proposes to take with respect thereto;

- (ii) promptly upon the Guarantor obtaining knowledge of any material litigation pending or threatened against the Guarantor, a certificate of the Guarantor specifying the particulars of such litigation and what action the Guarantor has taken or proposes to take with respect thereto;
- (iii) promptly, such other information concerning the Guarantor as the Creditor may from time to time reasonably request.

26. **Debtor's Financial Condition.** The Guarantor is fully aware of the financial condition of the Debtor.

27. **Interpretation.** Unless otherwise expressly provided in this Guarantee, if any matter in this Guarantee is subject to the consent or approval of the Creditor or is to be acceptable to the Creditor, such consent, approval or determination of acceptability will be in the sole discretion of the Creditor. If any provision in this Guarantee refers to any action taken or to be taken by the Guarantor, or which the Guarantor is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. The division of this Guarantee into sections and paragraphs, and the insertion of headings, is for convenience of reference only and will not affect the construction or interpretation of this Guarantee. Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders. When used in this Guarantee, the word "including" (or includes) means "including (or includes) without limitation". Any reference in this Guarantee to a "Section" means the relevant Section of this Guarantee. If more than one person executes this Guarantee, their obligations under this Guarantee are joint and several. Any reference in this Guarantee to a "person" will be deemed to include an individual, corporation, partnership, trust, unincorporated organization, government and the heirs, executors, administrators or other legal representatives of an individual. Any reference to a "business day" will be deemed to include any day which is not a Saturday, Sunday or a statutory holiday in the jurisdiction referred to in the "Governing Law; Attornment" Section of this Guarantee.

28. **Copy of Guarantee.** The Guarantor acknowledges receipt of an executed copy of this Guarantee.

29. **Conflict.** In the event of a conflict in or between the provisions of this Guarantee and the provisions of that certain offer between the Corporation and BCI dated as of the date hereof (the "Loan Agreement") then, notwithstanding anything contained in this Guarantee, the provisions of the Loan Agreement will prevail and the provisions of this Guarantee will be deemed to be amended to the extent necessary to eliminate such conflict provided, however, that the existence of a particular representation, warranty, covenant or other provision in this Guarantee which is not contained in the Loan Agreement shall not be deemed to be a conflict or inconsistency, and that particular representation, warranty, covenant or other provision shall continue to apply.

Dated at Toronto this 1st day of October, 2012.


LIQUIDBRANDS INC.

By: 

Name: Csaba Reider
Title: President

I have authority to bind the Corporation.

**THIS IS EXHIBIT "E" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014**



A Commissioner etc.

GENERAL SECURITY AGREEMENT

This General Security Agreement dated October 1, 2012 is made by Sun Pac Foods Limited, a corporation incorporated under the laws of the Province of Ontario (the "Borrower") to and in favour of Bridging Capital Inc., a corporation incorporated under the laws of the Province of Ontario (the "Secured Party").

WHEREAS the Secured Party has agreed to make certain credit facilities available to the Borrower pursuant to an offer letter dated as of the date hereof, between the Borrower and the Secured Party (as the same may be amended, supplemented, extended, renewed, restated or replaced from time to time, the "Loan Agreement");

NOW THEREFORE, in consideration of the foregoing promises and the sum of Ten Dollars (\$10.00) in lawful money of Canada now paid by the Secured Party to the Borrower and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto agree as follows:

1. SECURITY INTEREST

- (a) For valuable consideration, the Borrower hereby grants, assigns, transfers, mortgages and charges to the Secured Party, as and by way of a fixed and specific mortgage and charge, and grants to the Secured Party a security interest in, all of the Borrower's present and after-acquired personal property including, without limitation, all goods (including inventory and equipment), accounts, chattel paper, documents of title, instruments, intangibles, money, securities and all other investment property now owned or hereafter acquired by or on behalf of the Borrower (and all rights and interests now or hereafter held by or on behalf of the Borrower with respect to any of the foregoing) and also including, without limitation:
- (i) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured, including, without limitation, letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by the Borrower or which may hereafter become due, owing or accruing or growing due to or owned by Borrower (collectively, "Debts");
 - (ii) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
 - (iii) all contractual rights and insurance claims;
 - (iv) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation confidential information, trade-names, goodwill, copyrights, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively, "Intellectual Property") and

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including, without limitation, the Intellectual Property listed in Schedule "A" attached hereto; and

(v) all proceeds of any of the foregoing,

(all of the property described in this paragraph (a) is herein collectively called the "Collateral").

- (b) The grants, assignments, transfers, mortgages, charges and security interests to and in favour of the Secured Party herein created are collectively called the "Security Interest".
- (c) The Security Interest granted hereby shall not extend or apply to, and the Collateral shall not include, the last day of the term of any lease or agreement therefor; however, the Borrower will hold such last day in trust for the Secured Party and upon the enforcement of the Security Interest the Borrower will assign the same as directed by the Secured Party.
- (d) The terms "accessions", "accounts", "chattel paper", "documents of title", "equipment", "goods", "instruments", "intangibles", "inventory", "investment property", "money", "proceeds", and "securities" (including any singular or plural variation of any of the foregoing) whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Personal Property Security Act* (Ontario), as amended from time to time (the "PPSA").
- (e) The terms "certificated security", "entitlement holder", "entitlement order", "financial asset", "issuer", "limited liability company", "security", "security certificate", "securities account", "security entitlement", "securities intermediary" and "uncertificated security" (including any singular or plural variation of any of the foregoing) whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Securities Transfer Act* (Ontario), as amended from time to time (the "STA"); provided that, when used herein, the terms "certificated security" and "uncertificated security" shall be understood to mean a certificated security or uncertificated security, as the case may be, that is held directly by and registered in the name of or endorsed to the Borrower and not a certificated security or uncertificated security to which the Borrower has a security entitlement.
- (f) Any reference hereinafter to the "Collateral" shall, unless the context otherwise requires, be deemed a reference to the "Collateral or any part thereof".
- (g) All capitalized terms used herein and not otherwise defined shall have the same meanings herein as are ascribed to such terms in the Loan Agreement.

2. INDEBTEDNESS SECURED

The Security Interest granted hereby secures payment and satisfaction of any and all obligations, indebtedness and liability of the Borrower to the Secured Party pursuant to the Loan Agreement (including interest thereon), present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished

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and thereafter incurred again and whether the Borrower be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient to satisfy all Indebtedness of the Borrower, the Borrower acknowledges and agrees that the Borrower shall continue to be liable for any Indebtedness remaining outstanding and the Secured Party shall be entitled to pursue full payment thereof.

3. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

The Borrower represents and warrants, and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant, that:

- (a) the Collateral is owned by the Borrower free and clear of any and all liens, security interests, charges, leasehold interests or other encumbrances other than encumbrances consented to in writing by the Secured Party and that the Borrower's business operations, its records, and the Collateral are all located at the locations specified in Schedule "B" attached hereto;
- (b) each agreement, if any, that the Borrower may enter into with a securities intermediary which governs any securities account included in the Collateral or to which any Collateral that is investment property may be credited will either (i) specify that the Province of Ontario is the security intermediary's jurisdiction for the purposes of the PPSA and the STA or (ii) is expressed to be governed by the laws of the Province of Ontario; and
- (c) none of the Collateral that is an interest in a partnership or a limited liability company:
 - (i) is dealt in or traded on any securities exchange or in any securities market;
 - (ii) expressly provides by its terms that it is a "security" for the purposes of the STA or any other similar provincial legislation; or
 - (iii) is held in a securities account,except for any Collateral of which the Secured Party or its nominee has "control" within the meaning of Section 1(2) of the PPSA.

4. COVENANTS OF THE BORROWER

So long as this Security Agreement remains in effect, the Borrower covenants and agrees:

- (a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; not to sell, exchange, transfer, assign, lease, or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Secured Party; provided always that, until an Event of Default, the Borrower may, in the ordinary course of the Borrower's business, sell inventory;

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- (b) to notify the Secured Party promptly of:
 - (i) any change in the information contained herein or in the Schedules hereto relating to the Borrower, the Borrower's business or the Collateral including without limitation:
 - (1) any change in the name of the Borrower;
 - (2) any change in the place of business of the Borrower or, if the Borrower has more than one place of business, in the chief executive office of the Borrower; and
 - (3) any change in the location of the Collateral;
 - (ii) the Vehicle Identification Number (as prescribed by the regulations made under the PPSA for use in registrations under the PPSA), model year, make and model of any motor vehicle (as such term is defined in the regulations made under the PPSA) at any time included in the Collateral which is held as equipment, including in circumstances where the Borrower ceased holding the same as inventory and began holding the same as equipment;
 - (iii) the details of any material claims or material litigation affecting the Borrower or the Collateral; and
 - (iv) any material loss or material damage to the Collateral;
- (c) to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (d) to do, execute, acknowledge and deliver such financing statements and further assignments, transfers, documents, acts, matters and things as may be reasonably requested by the Secured Party of or with respect to the Collateral in order to give effect to this Security Agreement and to pay all costs for searches and filings in connection therewith; and, after the occurrence of an Event of Default under this Security Agreement, the Borrower hereby appoints the Secured Party or any officer or manager from time to time of the Secured Party the irrevocable attorney of the Borrower (with full power of substitution and delegation) to sign all documents and take such action as may be required to give effect to this provision;
- (e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of the Borrower or the Collateral as and when the same become due and payable;
- (f) to insure the Collateral for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably require with loss payable, inter alia, to the Secured Party and the

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Borrower, as insureds, as their respective interests may appear, and to pay all premiums therefore;

- (g) to carry on and conduct the business of the Borrower in an efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Borrower's business as well as accurate and complete records concerning the Collateral, and mark any and all such records and the Collateral at the Secured Party's request so as to indicate the Security Interest and to deliver to the Secured Party from time to time promptly upon request:
 - (i) copies of any documents of title, instruments, chattel paper, securities and any other investment property constituting, representing or relating to the Collateral
 - (ii) all financial statements prepared by or for the Borrower regarding the Borrower's business;
 - (iii) all policies and certificates of insurance relating to the Collateral; and
 - (iv) such information concerning the Collateral, the Borrower and the Borrower's business and affairs as the Secured Party may reasonably request; and
- (h) to notify the Secured Party prior to initiating any insolvency proceeding, the effect of which would be to stay the Secured Party from enforcing security interests created by this Agreement, under the *Bankruptcy and Insolvency Act (Canada)*, *Companies' Creditors Arrangement Act (Canada)* or otherwise.

5. COVENANTS OF THE BORROWER - INVESTMENT PROPERTY

- (a) To enable the Secured Party to better perfect and protect its security interest in the investment property included in the Collateral, promptly upon request from time to time by the Secured Party, acting reasonably, the Borrower shall:
 - (i) deliver (or cause to be delivered) to the Secured Party, endorsed to the Secured Party or such nominee as it may direct and/or accompanied by such instruments of assignment and transfer in such form and substance as the Secured Party may reasonably request,
 - (A) any and all certificated securities included in or relating to the Collateral; and
 - (B) any instruments, letters of credit, documents of title and chattel paper included in or relating to the Collateral;
 - (ii) direct the issuer of any and all certificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the applicable security certificates in the name of the Secured Party or such nominee as it may direct;

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- (iii) direct the issuer of any and all uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the Secured Party or such nominee as it may direct as the registered owner of such uncertificated securities; and
 - (iv) direct the securities intermediary for any security entitlements or securities accounts included in or relating to the Collateral as the Secured Party may specify in its request to transfer any or all of the financial assets to which such security entitlements or securities accounts relate to such securities account or securities accounts as the Secured Party may specify such that the Secured Party shall become the entitlement holder with respect to such financial assets or the Person entitled to exercise all rights with respect to such securities account.
- (b) Promptly upon request from time to time by the Secured Party, acting reasonably, the Borrower shall give its consent in writing to:
- (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request of a Control Agreement (as hereinafter defined) with the Secured Party in respect of such uncertificated securities, which consent may be incorporated into an agreement to which such issuer, the Secured Party and the Borrower are parties; and
 - (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral as the Secured Party may specify in its request, of a Control Agreement with the Agent in respect of such securities accounts or securities entitlement, which consent may be incorporated into an agreement to which such securities intermediary, the Secured Party and the Borrower are parties.
- (c) The Borrower covenants that it will not consent to, and represents and warrants to the Secured Party that it has not heretofore consented to:
- (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral of a Control Agreement that remains in effect at the date hereof in respect of such uncertificated securities with any person other than the Secured Party or such nominee or agent as it may direct; or
 - (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral of a Control Agreement that remains in effect at the date hereof with respect to such securities accounts or security entitlements with any Person other than the Secured Party or such nominee or agent as it may direct.
- (d) The Borrower shall not enter into any agreement with any securities intermediary that governs any securities account included in or relating to any Collateral that specifies any such securities intermediary's jurisdiction to be a jurisdiction other

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than the Province of Ontario for the purposes of the STA or which is governed by the laws of a jurisdiction other than the Province of Ontario or consent to any amendment to any such agreement that would change such securities intermediary's jurisdiction to a jurisdiction other than the Province of Ontario for the purposes of the STA or its governing law to a jurisdiction other than the Province of Ontario unless it has given the Secured Party at least forty-five (45) days notice of any such agreement or amendment.

- (e) In the event that the Borrower hereafter acquires an interest in any partnership or limited liability company, it will use its best efforts to cause such partnership or limited liability company to declare, pursuant to its constituting documents, such interests to be "securities" for the purposes of the STA.
- (f) For the purposes of this Agreement, the term "Control Agreement" means:
 - (i) with respect to any uncertificated securities included in the Collateral, any agreement between the issuer of such uncertificated securities and another Person whereby such issuer agrees to comply with instructions that are originated by such Person in respect of such uncertificated securities, without the further consent of the Borrower; and
 - (ii) with respect to any securities accounts or security entitlements included in the Collateral, an agreement between the securities intermediary in respect of such securities accounts or security entitlements and another Person to comply with any entitlement orders with respect to such securities accounts or security entitlements that are originated by such Person, without the further consent of the Borrower.

6. RIGHTS OF THE SECURED PARTY – INVESTMENT PROPERTY

- (a) The Secured Party shall have the right to have any uncertificated securities or certificated securities included in the Collateral registered in its name or in the name of its nominee; and for such purpose, the Borrower shall comply with Section 5(a) or 5(b) hereof, as applicable, upon the request of the Secured Party.
- (b) The Secured Party shall have the right to become or have its nominee become the entitlement holder with respect to any security entitlements or investment property included in the Collateral; and for such purpose the Borrower shall comply with Section 5(a) hereof upon the request of the Secured Party.
- (c) As the registered holder of any uncertificated securities or certificated securities or the entitlement holder with respect to any investment property included in the Collateral, the Secured Party shall be entitled but not bound by or required to exercise any of the rights that any holder of such securities or such entitlement holder may at any time have. The Secured Party will not be responsible for any loss occasioned by its exercise of any such rights or by its failure to exercise the same within the time limited for the exercise thereof.

7. VERIFICATION OF COLLATERAL

The Secured Party shall have the right at any time, and from time to time, to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate and the Borrower agrees to furnish all assistance and information and to perform all such acts as the Secured Party may request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Borrower.

8. COLLECTION OF ACCOUNTS

After the occurrence of an Event of Default of the Borrower under this Security Agreement, the Secured Party may notify all or any account debtors of the Security Interest and may also direct such account debtors to make all payments on accounts, chattel paper and Instruments forming part of the Collateral directly to the Secured Party. The Borrower acknowledges that any payments on accounts, chattel paper and instruments forming part of the Collateral or other proceeds of the Collateral received by the Borrower from account debtors or other parties, whether before or after notification of the Security Interest to account debtors and whether before or after the occurrence of an Event of Default under this Security Agreement, shall be received and held by the Borrower in trust for the Secured Party and shall be turned over to the Secured Party forthwith upon request by the Secured Party.

9. DISPOSITION OF AMOUNTS

Subject to any applicable requirements of the PPSA and to the rights of the Secured Party or any Receiver (as hereinafter defined) under this Security Agreement or the PPSA or other provisions of law to make deductions in respect of costs, charges and expenses or to apply costs, charges and expenses as a first or prior charge on the proceeds of realization, collection or disposition of the Collateral, all amounts collected or received by the Secured Party or any Receiver pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied on account of the Indebtedness in such manner as the Secured Party, in its sole discretion, deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Borrower, all without prejudice to the liability of the Borrower or the rights of the Secured Party or any Receiver hereunder, and any surplus shall be accounted for as required by law.

10. EVENTS OF DEFAULT

The Borrower shall be in default under this Security Agreement upon the occurrence of an Event of Default under the Loan Agreement.

11. ACCELERATION

Upon the occurrence of an Event of Default under this Security Agreement or at any time thereafter, the Secured Party, in its sole discretion, may declare all or any part of the Indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind. The provisions of this Security Agreement are not intended in any way to and shall not affect any rights of the Secured Party with respect to any Indebtedness which may now or hereafter be payable on demand.

12. REMEDIES

- (a) Upon the occurrence of an Event of Default under this Security Agreement or at any time thereafter and in accordance with applicable law, the Secured Party may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Secured Party or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of the Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his stead. Any such Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Borrower and not the Secured Party, and the Secured Party shall not be in any way responsible for any misconduct, negligence, or nonfeasance on the part of any such Receiver, his servants, agents or employees. The Secured Party may from time to time fix the Receiver's remuneration. Subject to the provisions of the instrument appointing him, any such Receiver shall have power to take possession of the Collateral, to preserve the Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Borrower and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of the Collateral (in its existing condition or after any repair, processing or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Receiver may seem reasonable including terms for deferred payment. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Borrower, enter, use and occupy all premises owned or occupied by the Borrower wherein the Collateral may be situated, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use the Collateral directly in carrying on the Borrower's business or as security for loans or advances or other credit to enable him to carry on the Borrower's business or otherwise, as such Receiver shall, in his discretion, determine. Except as may be otherwise directed by the Secured Party, all amounts received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Secured Party. Every such Receiver may, in the discretion of the Secured Party, be vested with all or any of the rights and powers of the Secured Party.
- (b) Upon an Event of Default under this Security Agreement or at any time thereafter, the Secured Party may make application to a court of competent jurisdiction for the appointment of a Receiver.
- (c) Upon an Event of Default under this Security Agreement or at any time thereafter, the Secured Party may, either directly or through its agents or nominees, exercise any or all of the powers and rights which could be available to a Receiver appointed pursuant to the foregoing subclause (a).
- (d) Upon an Event of Default under this Security Agreement or at anytime thereafter, the Secured Party may take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default or at any time

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thereafter, the Secured Party may sell, lease or otherwise dispose of the Collateral (in its existing condition or after any repair, processing, or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Secured Party may seem reasonable including terms for deferred payment.

- (e) In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Borrower and the Secured Party and in addition to any other rights the Secured Party or any Receiver may have at law or in equity, the Secured Party shall have, both before and after default, all rights and remedies of a secured party under the PPSA and the Receiver shall have all rights and remedies of a secured party under and to the extent provided in the PPSA. Provided always that, the Secured Party or any Receiver shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, or otherwise dispose of the Collateral or to institute any proceedings for such purposes. Furthermore, neither the Secured Party nor any Receiver shall have any obligation to take any steps to preserve rights against other parties to any security, instrument or chattel paper whether the Collateral or proceeds and whether or not in the Secured Party's or Receiver's possession and shall not be liable or accountable for failure to do so.
- (f) The Borrower acknowledges that the Secured Party or any Receiver may take possession of the Collateral wherever it may be located and by any method permitted by law and the Borrower agrees, upon request from the Secured Party or any such Receiver, to assemble and deliver possession of the Collateral at such place or places as directed.
- (g) The Borrower agrees to pay all costs, charges and expenses reasonably incurred by the Secured Party or any Receiver, whether directly or for services rendered (including reasonable solicitor's and auditor's costs and other legal expenses and Receiver remuneration but not including any internal costs of the Secured Party), in operating any accounts of the Borrower with the Secured Party, in discharging or satisfying any encumbrances, borrowings, taxes and other outgoings affecting the Collateral, in keeping in good standing any encumbrances on the Collateral ranking in priority to the Security Interest created by this Security Agreement, in preparing or enforcing this Security Agreement, in taking custody of, holding, preserving, repairing, processing, preparing for sale, lease or other disposition and selling, leasing or otherwise disposing of the Collateral, in carrying on the business of the Borrower and in enforcing or collecting the indebtedness; and the Borrower further agrees that all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by the Secured Party or any Receiver, as permitted hereby, shall be a first and prior charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.
- (h) The Secured Party will give the Borrower such notice or notices, if any, with respect to the disposition of the Collateral as may be required by the PPSA.
- (i) The Receiver and the Secured Party shall have power to make any sale, lease or other disposition of the Collateral as contemplated above in the name and on behalf of the Borrower or otherwise and the Receiver or any officer or manager

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from time to time of the Secured Party is hereby appointed the irrevocable attorney of the Borrower (with full powers of substitution and delegation) for the purpose of making any such sale, lease or other disposition and of executing agreements or documents and taking such action required to complete the same.

- (j) All remedies of the Secured Party at law and hereunder shall be cumulative and not in the alternative.

13. MISCELLANEOUS

- (a) The Borrower hereby authorizes the Secured Party to file such financing statements and other documents and do such acts, matters and things from time to time (including, without limitation, completing and adding or supplementing schedules hereto) as the Secured Party may deem appropriate to perfect and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest and the Borrower hereby irrevocably constitutes and appoints any officer or manager from time to time of the Secured Party the true and lawful attorney of the Borrower, with full power of substitution and delegation, to do any of the foregoing in the name of the Borrower whenever and wherever it may be deemed necessary or expedient.
- (b) Without limiting any other right of the Secured Party, whenever the Indebtedness is immediately due and payable or the Secured Party has the right to declare the Indebtedness to be immediately due and payable (whether or not it has so declared), the Secured Party may, in its sole discretion, set off against Indebtedness any and all amounts then owed to the Borrower by the Secured Party in any capacity, whether or not due, and the Secured Party shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on the Secured Party's records subsequent thereto.
- (c) Upon the Borrower's failure to perform any of its obligations hereunder, the Secured Party may, but shall not be obligated to, perform any or all of such obligations, and the Borrower shall pay to the Secured Party, forthwith upon written demand therefor, an amount equal to the expense incurred by the Secured Party in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate set out in the Loan Agreement, without duplication, which amount and interest thereon shall be included in the Indebtedness secured hereby.
- (d) The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromises, settle, grant releases and discharges and otherwise deal with the Borrower, debtors of the Borrower, sureties and others and with the Collateral and other security as the Secured Party may see fit without prejudice to the liability of the Borrower or the Secured Party's right to hold and realize the Security Interest. Furthermore, the Secured Party may demand, collect and sue on the Collateral in either the Borrower's or the Secured Party's name, at the Secured Party's option, and may endorse the Borrower's name on any and all cheques, commercial paper, and any other instruments pertaining to or constituting the Collateral.

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- (e) No delay or omission by the Secured Party in exercising any right or remedy hereunder or with respect to any Indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, the Secured Party may remedy any default by the Borrower hereunder or with respect to any Indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Borrower. No remedy herein conferred upon or reserved to the Secured Party is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now existing or hereafter to exist at law, in equity or by statute or pursuant to any other agreement or instrument between the Borrower and the Secured Party that may be in effect from time to time.
- (f) The Borrower waives protest of any Instrument constituting Collateral at any time held by the Secured Party on which the Borrower is in any way liable and notice of any other action taken by the Secured Party.
- (g) In any action brought by an assignee of any interest of the Secured Party in this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Borrower shall not assert against the assignee any set-off, claim or defence which the Borrower now has or hereafter may have against the Secured Party.
- (h) Except for any supplements or other schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written Agreement executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.
- (i) Whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and shall be sufficiently given if delivered to the party for whom it is intended at the principal address of such party set forth below or as changed pursuant hereto or if sent by prepaid registered mail addressed to the party for whom it is intended at the principal address of such party set forth below or as changed pursuant hereto:

(i) If to the Secured Party:

95 Wellington Street West
Suite 915
Toronto, Ontario
M5J 2N7

Fax: (416) 633-4959

Attention: Brian Champ

(ii) If to the Borrower:

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10 Sun Pac Blvd.
Brampton, Ontario
L6S 4R5

Fax: (905) 792-8490

Attention: Csaba Reider

Any notice given by registered mail shall be deemed to have been received by the party to whom the same is addressed on the fifth (5th) Business Day (as hereinafter defined) following the date upon which such notice sent by registered mail has been deposited with the appropriate post office, postage and cost of registration prepaid; provided that any of the parties hereto may change the addressee designated to it from time to time by notice in writing to the other parties. In the event of an interruption in postal service, any notice shall be made by personal service or facsimile. Any notice given by personal service or facsimile shall be deemed to have been received by the party to whom it so delivered on the actual date of delivery or confirmation of facsimile receipt. For the purposes of this Security Agreement, "Business Day" means any day other than a Saturday or Sunday or any other day on which banks are closed for business in Toronto, Ontario.

- (j) This Security Agreement and the Security Interest created hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and is, and is intended to be a continuing Security Agreement and Security Interest.
- (k) This Security Agreement shall not merge in any subsequent security or be taken to be a substitute for any security of any nature whatsoever held by the Secured Party from the Borrower. It is further agreed that the taking of this Security Agreement shall not operate as a merger of the remedies of the Secured Party for payment, satisfaction or performance of the Indebtedness or of the remedies of the Secured Party under any other agreement and notwithstanding this Security Agreement and anything herein contained the said remedies shall remain available and be capable of enforcement against the Borrower and all other persons liable in respect thereof in the same manner and to the same extent as if this Security Agreement had not been made.
- (l) The headings used in this Security Agreement are for convenience only and are not to be considered as part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.
- (m) When the context so requires, the singular number shall be read as if the plural were expressed and vice versa and any reference to gender shall include the masculine, feminine, and neuter gender.
- (n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.

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- (o) Nothing herein contained shall in any way obligate the Secured Party to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute indebtedness or to make any advance to or to provide any credit accommodation for the Borrower.
- (p) The Security Interest created hereby is intended to attach (i) to existing Collateral when this Security Agreement is signed by the Borrower and delivered to the Secured Party, and (ii) to Collateral subsequently acquired by the Borrower immediately upon the Borrower acquiring any rights in such Collateral. The Borrower and the Secured Party do not intend to postpone the attachment of any Security Interest created by this Security Agreement.
- (q) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein as the same may from time to time be in effect, including, where applicable, the PPSA. The Borrower and the Secured Party irrevocably consent and submit to the non-exclusive jurisdiction of the Ontario Superior Court of Justice and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Security Agreement or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Security Agreement or the transactions related hereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Secured Party shall have the right to bring or respond to any action or proceeding against the Borrower or its respective property in the courts of any other jurisdiction which the Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against the Borrower or its respective property).
- (r) Time shall be of the essence of this Security Agreement.
- (s) This Security Agreement shall enure to the benefit of and be binding upon the Secured Party and the Borrower and their respective successors and assigns; provided the Borrower will not assign this Security Agreement without the Secured Party's prior written consent.
- (t) Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies herein contained operating in favour of the Secured Party, and which have been waived or varied by the Borrower herein, whether expressly or by implication, but which are by the provisions of the PPSA incapable of waiver or variance by the Borrower, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.
- (u) The Borrower hereby acknowledges receipt of a copy of this Security Agreement.
- (v) This Security Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall

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be deemed by be an original and all of which taken together shall constitute one and the same agreement. Delivery by facsimile or by electronic transmission in portable document format (PDF) of an executed counterpart of this Security Agreement is as effective as delivery of an originally executed counterpart of this Security Agreement.

- (w) The Borrower hereby authorizes the Secured Party to file such financing statements and other documents and do such other acts, matters and things from time to time as the Secured Party may deem appropriate, in its sole discretion, to perfect and continue any security interest granted hereunder, and the Borrower hereby irrevocably constitutes and appoints any officer or manager from time to time of the Secured Party the true and lawful attorney of the Borrower, with full power of substitution and delegation, to do any of the foregoing in the name of the Borrower whenever and wherever it may be deemed necessary or expedient by the Secured Party, in its sole discretion. The Borrower hereby waives its right under the PPSA to receive a printed copy of any financing statement or financing change statement relating to this Security Agreement or any verification statement or other statement used by the Registrar (as defined in the PPSA) to confirm the registration of any such financing statement or financing change statement.
- (x) The parties hereby affirm and acknowledge that if there exists any inconsistency between the provisions of this Security Agreement and the provisions of the Loan Agreement, the provisions of the Loan Agreement shall, to the extent of such inconsistency, prevail.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

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IN WITNESS WHEREOF the Borrower has executed this Security Agreement as of the date first above written.

SUN PAC FOODS LIMITED

Per: 

Name: Csaba Reider

Title: President

I have authority to bind the Corporation.

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SCHEDULE "A"

INTELLECTUAL PROPERTY
TRADEMARKS

Trademarks ~ Canadian	Trademark No.	Registered Owner	Renewal Date
Purrr	TMA280,548	Sun Pac	June 17, 2013
Purrr the Connoisseur Cat food & Design	TMA286,654	Sun Pac	January 6, 2014
Plat du gourmet	TMA288,327	Sun Pac	February 24, 2014
Gourmet Platter	TMA294,078	Sun Pac	August 17, 2014
DERBY	TMA122,872	Sun Pac	July 14, 2021
VITAL	TMA302,277	Sun Pac	April, 26, 2015
BEEF EATER	TMA352,365	Sun Pac	February 24, 2019
Sun Pac	TMA227,875	Sun Pac	May 19, 2023
Sun Pac & Design	TMA310,389	Sun Pac	January 10, 2016
Sun Pac Just Juice & Design	TMA329,434	Sun Pac	July 3, 2017
Sun Crop	TMA259,180	Sun Pac	May 22, 2026
Moisson du soleil	TMA260,992	Sun Pac	July 17, 2026
Fruit Rhapsody	TMA492,505	Sun Pac	April, 7 2013
Ful-O-Fruit	TMA486,241	Ful-O-Fruit Inc.	November 25, 2012
AQUALINN	TMA548,639	Sun Pac	July 25, 2016
Fiesta	TMA311,368	McDowell	February 14, 2016
Magic Moments	TMA315,005	McDowell	June 6, 2016
Stuffin' Mix Design	TMA274,338	McDowell	November 26, 2012
Party Animal	TMA270,620	McDowell	July 13, 2020
Snack Attack	TMA398,636	McDowell	May 29, 2022
SAICO	TMA127,198	McDowell	July 13, 2022
Featherweight	TMA195,248	McDowell	November 2, 2018

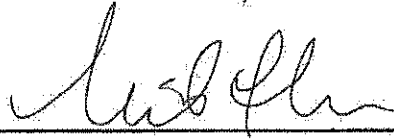
Trademarks ~ U.S.	Registration Number	Renewal Date
Sun Pac	1,359,405	September 10, 2015
*Sun Pac logo (new)	1,432,099	March 10, 2017
Fruit Rhapsody	2,155,384	May 5, 2018

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SCHEDULE "B"
BORROWER'S LOCATIONS

1. Location of Borrower's Place of Business:
10 Sun Pac Boulevard, Brampton, Ontario, L6S 4R5
2. Locations of Records relating to Collateral (if different from 1 above):
3. Locations of Collateral (if different from 1 above):

THIS IS EXHIBIT "F" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

5000 YONGE STREET, 10TH FLOOR, TORONTO, CANADA M2N 7E9
www.chaitons.com



REPLY TO: SAM RAPPAS
FILE NO.: 48398
DIRECT: 416-218-1137
FAX: 416-218-1837
EMAIL: samr@chaitons.com

September 5, 2013

VIA REGISTERED MAIL AND FACSIMILE (905) 792-8490

Sun Pac Foods Limited
10 Sun Pac Blvd.
Brampton, ON L6S 4R5

Attention: Csaba Reider, President

*Re: Indebtedness of Sun Pac Foods Limited (the "Borrower") to Bridging Capital Inc.,
as assigned to 8527504 Canada Inc. (the "Lender")*

Dear Mr. Reider,

We act as solicitors for the Lender. According to our client's records the Borrower is indebted to the Lender pursuant to an Amended and Restated Letter Agreement accepted by the Borrower on January 18, 2013, an Amended and Restated Facility A Demand Grid Promissory Note dated January 18, 2013, and a Facility B Demand Grid Promissory Note dated January 18, 2013 (collectively, the "Loan Documents"). The aggregate outstanding balance owing under the Loan Documents as at the close of business on September 4, 2013 is \$3,950,039.57 for principal, interest and fees, plus costs, the particulars of which are as follows:

Facility A Loan – Principal	\$2,009,680.23
Facility A Loan – Accrued Interest	\$3,756.58
Facility B Loan – Principal	\$1,932,524.00
Facility B Loan – Accrued Interest	\$3,812.10
Pro-rated monthly monitoring fee	\$266.67
TOTAL:	\$3,950,039.57

Additional interest accrues at the default rate of 21% per annum from September 5, 2013 until the date of actual payment.

The indebtedness is payable on demand and is secured by, *inter alia*, a General Security Agreement dated October 1, 2012.

We are advised by our client that the Borrower is in default of the terms of the Loan Documents given that (i) the Borrower is unable to pay its debts as such debts become due; (ii) in the reasonable opinion of the Lender, there is a Material Adverse Change in the



financial condition, ownership or operation of the Borrower; and (iii) the Borrower has breached its reporting covenants under the Loan Documents.

The Lender hereby declares the entire amount of the indebtedness of the Borrower to the Lender under the Loan Documents to be immediately due and payable. Unless the total amount owing as aforesaid together with additional interest accrued and fees and legal costs actually incurred to the date of payment or satisfactory arrangements therefor are made forthwith, the Lender shall take such steps as it deems necessary or advisable to recover payment of the Borrower's indebtedness in full, without further demand upon or notice to the Borrower. Such steps may include enforcement of its security.

Enclosed please find the Lender's Notice of Intention to Enforce Security, which is served upon the Borrower pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Govern yourself accordingly.

Yours truly,
CHAITONS LLP

A handwritten signature in cursive script, appearing to read "Rappos".

per Sam Rappos
LAWYER

Enclosure

Cc: Bridging Capital Inc. (via e-mail)

NOTICE OF INTENTION TO ENFORCE A SECURITY
(given pursuant to section 244 of the *Bankruptcy and Insolvency Act*)

To: Sun Pac Foods Limited, an insolvent person

Take notice that:

1. 8527504 CANADA INC., a secured creditor, intends to enforce its security on all of the present and after-acquired personal property of Sun Pac Foods Limited.
2. The security that is to be enforced includes a General Security Agreement dated October 1, 2012 (collectively, the "Security").
3. The total amount of indebtedness secured by the Security as at the close of business on September 4, 2013 is \$3,950,039.57 inclusive of principal, interest and fees, plus costs.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

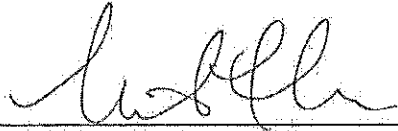
DATED at Toronto, this 5th day of September, 2013.

8527504 CANADA INC.,
by its solicitors Chaitons LLP

Per: 

SAM RAPPOS

THIS IS EXHIBIT "G" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

FORBEARANCE AND AMENDING AGREEMENT

THIS AGREEMENT is made as of the 11th day of September, 2013.

BETWEEN:

8527504 CANADA INC.
a corporation governed by the laws of Canada

("852")

-and-

SUN PAC FOODS LIMITED
a corporation governed by the laws of the Province of Ontario

("Sun Pac")

-and-

LIQUIBRANDS INC.
a corporation governed by the laws of the Province of Ontario

("Liquibrands")

RECITALS:

- A. Bridging Capital Inc. ("BCI") made demand credit facilities available to Sun Pac pursuant to an amended and restated letter agreement accepted by Sun Pac and Liquibrands (collectively, the "Obligors") on January 18, 2013 (the "Loan Agreement");
- B. The Obligors have executed and delivered to BCI the agreements described in Schedule "A" hereto as evidence of and security for their respective indebtedness and obligations to BCI (collectively, the "Security");
- C. BCI has assigned the Loan Agreement and the Security to 852;
- D. Sun Pac is in default of its obligations contained in the Loan Agreement;
- E. 852 has demanded repayment of the indebtedness owing under the Loan Agreement from Sun Pac and issued a Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act* (Canada);

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- F. At the request of the Obligors, 852 has agreed to forbear from enforcing the Security, subject to and in accordance with the terms and conditions of this Forbearance Agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSETH that for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties agree as follows:

Definitions

1. In this Agreement, defined terms shall have the meanings set out herein and grammatical variations of such terms shall have corresponding meanings.

Acknowledgements

2. Recitals – The parties hereto acknowledge and agree that each of the foregoing recitals are true and accurate both in substance and in fact.
3. Assignment - The Obligors each agree not to contest the validity and enforceability of the assignment of the Loan Agreement and the Security by BCI to 852 and the right of 852 to rely upon same.
4. Liability – Sun Pac acknowledges that as of the close of business on September 4, 2013, the aggregate amount owing to 852 under the Loan Agreement and secured by the Security is \$3,950,039.57 (for principal and interest plus costs) as more particularly described in Schedule "B" attached hereto (collectively, the "Indebtedness"). Furthermore, Sun Pac hereby confirms that it does not dispute its liability to pay the Indebtedness on any ground whatsoever, that it has no claim, demand, setoff or counterclaim against 852 on any basis whatsoever, and that there is no matter, fact or thing which may be asserted by it in extinction or diminution of the Indebtedness or result in any bar to or delay in the recovery thereof. If there are any claims for setoff, counterclaim or damages, they are hereby expressly released and discharged.
5. Default – Sun Pac acknowledges and agrees that it is in default of its obligations contained in the Loan Agreement.
6. Security – Each of the Obligors acknowledges and agrees that the Security now held by 852 for payment of the Indebtedness is valid, binding and enforceable against them in accordance with its terms. Each of the Obligors further acknowledges and agrees that the Security shall secure all of their respective obligations and liabilities of related to, arising from or connected with the Loan Agreement in accordance with their respective terms.
7. 852's Rights – Each of the Obligors acknowledges and agrees that except as provided in this Agreement, the Loan Agreement and the Security, 852 (by itself or through its employees, representatives or agents) has not made any promises, or taken any action or omitted to take any action which would constitute a waiver of its right to take any enforcement action in connection with the enforcement of the Security, or which would

estop it from so doing and that no statement, representation, promise, act or omission by 852, BCI or its employees, representatives or agents shall create such a waiver or estoppel unless 852 executes and delivers to the Obligors a written waiver of any such rights.

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8. Guarantee – Liquibrands confirms that it has granted the guarantee described in Schedule “A” hereto in favour of BCI, as assigned to 852 (the “Guarantee”). Liquibrands does not dispute its liability on any basis whatsoever under the Guarantee and confirms that it has no claim for setoff, counter-claim or damages on any basis whatsoever against 852. If there are any claims, they are hereby expressly released and discharged. Liquibrands confirms that the Guarantee has not been released, waived or varied, that it is binding upon it and that it is valid and enforceable against it in accordance with its written terms.
9. Demand Letter and BIA Notice - Sun Pac acknowledges receipt of a demand letter sent on behalf of 852 dated September 6, 2013 (the “Demand”) wherein 852 demanded immediate payment of Sun Pac’s indebtedness to 852. Sun Pac acknowledges receipt of a Notice of Intention to Enforce Security dated September 6, 2013 (the “BIA Notice”) issued on behalf of 852 pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* (Canada). Sun Pac further acknowledges that the Demand and the BIA Notice are valid and effective, and that the time given by 852 for payment was reasonable. Sun Pac agrees not to contest the validity of the Demand, the BIA Notice, or the reasonableness of the time given for payment in any proceeding for any reason whatsoever.

Forbearance

10. 852 agrees not to take any steps to enforce any of the Loan Agreement or Security prior to the earlier of:
- (a) December 9, 2013; or
 - (b) the occurrence of an Event of Default (as hereinafter defined),

(hereinafter referred to as the “Forbearance Termination Date” and the period commencing on the date hereof and ending on (but excluding) the Forbearance Termination Date is the “Forbearance Period”).

Notwithstanding the foregoing, the Obligors acknowledge that credit pursuant to the Loan Agreement and this Agreement is being provided on a day to day, on demand basis only and that 852 is and shall be under no obligation whatsoever to extend credit pursuant to the Loan Agreement or this Agreement beyond such day to day period. The existing defaults and the rights of 852 arising from such defaults are not waived but are preserved. The continuation of credit is not and shall not be taken as an indication that 852 has waived or acquiesced to the existing defaults or to any other defaults and the right of 852 to immediately enforce the Security in accordance with its terms is unconditional.

Credit Facilities

11. Credit Facilities - 852 agrees to extend, and Sun Pac agrees to accept the following additional demand credit facilities from 852 which shall be deemed to amend, *mutatis mutandis*, the terms of the Loan Agreement (the credit facilities referred to in the Loan Agreement, as amended herein are hereinafter referred to as the "Credit Facilities");

- (a) Facility C: Demand non-revolving loan of Five Hundred Thousand Dollars (\$500,000) (the "Facility C Loan", with the total advanced under the Facility C Loan being referred to as the "Facility C Principal Amount").
- (b) Facility D: Demand non-revolving loan in the amount of up to 2 times EBITDA of the Breadcrumbs Division (as defined below) (as determined by BDO Canada Transaction Advisory Services, Inc. ("BDO") in its report to Sun Pac and 852 in its sole discretion), less the aggregate amount advanced to Sun Pac under the Facility C Loan (the "Facility D Loan" and collectively with the Facility A Loan, Facility B Loan (each term as defined in the Loan Agreement) and the Facility C Loan, the "Loan").

The Obligors acknowledge and agree that 852 shall have the right at any time and from time to time in its sole discretion to cap the Facility A Loan. In such event, 852 shall amend the Facility C Loan or provide an additional facility such that Sun Pac shall be provided with access to any remaining available on the same terms and conditions as the Facility A Loan at the time of the exercise by 852 of such right.

12. Advance of Facility C Loan

- (a) 852 shall, promptly upon the execution of this Agreement, advance to Sun Pac as a Facility C Loan advance a single advance in the amount of Five Hundred Thousand Dollars (\$500,000) to be deposited in Sun Pac's Disbursement Accounts (as defined in the Loan Agreement) and shall be conditional upon there being no Event of Default under this Agreement and the Loan Agreement.

13. Advance of Facility D Loan

- (a) Provided that 852 has received and is satisfied with the report to be prepared by BDO at the expense of Sun Pac, 852 shall, promptly following the execution of this Agreement, advance to Sun Pac as a Facility D Loan advance a single advance in an amount equal to 2 times EBITDA of the Breadcrumbs Division (as defined below) (as determined by BDO in its report to Sun Pac and 852 in its sole discretion), less the Facility C Principal Amount. Each advance shall be deposited in Sun Pac's Disbursement Accounts and shall be conditional upon there being no Event of Default under this Agreement and the Loan Agreement.

14. Interest Rate - Annual rate of 36% calculated on the daily outstanding balance of the Facilities C and D, and compounded monthly, not in advance and with no deemed reinvestment of monthly payments.

- 5 -

15. Payment – Without limiting the right of 852 to demand repayment at any time, the Facility C Loan and the Facility D Loan shall be indefeasibly repaid in full on the earlier of (i) the Forbearance Termination Date; (ii) the sale of the Breadcrumbs Division; and (iii) demand being made by 852.

Covenants and Agreements

During the Forbearance Period:

16. Principal and Interest Payable – Sun Pac shall continue to pay to 852 all principal and interest payments owing under the Credit Facilities as and when due. Effective as of the date hereof, 852 reserves its right to charge at any time the default rate of interest of 21% with respect to the Facility A Loan and the Facility B Loan in accordance with the Loan Agreement.
17. Payments to Creditors – The Obligors shall utilize their available cash in a manner so as to ensure their continued operation, and not to make any payments out of the ordinary course of business.
18. Agreements Out of Ordinary Course – The Obligors shall not enter into any material agreements out of the ordinary course of business, except with the prior written consent of 852, which consent may be withheld in 852's sole discretion.
19. Remuneration - Except for wages paid in the ordinary course, without the prior written consent of 852, the Obligors shall not make any distributions, directly or indirectly, to or for the benefit of any shareholder, director, officer, employee, any other person not dealing at arm's-length with the Obligors.
20. Sale of Breadcrumbs Division
 - (a) The Obligors shall diligently proceed with the marketing and sale of its croutons and breadcrumbs division that manufactures and produces products under the McDowell Ovens brand (the "Breadcrumbs Division") and shall diligently keep 852 current and up to date with respect to same. The Obligors shall not accept any offer to purchase the Breadcrumbs Division without 852's prior written approval. Each of the Obligors acknowledges that approval by 852 of any such offer is within 852's sole and absolute discretion. The Obligors shall provide 852 with a written update every week following the date of execution of this Agreement setting out the status of the sale efforts. Any proceeds from the sale of the Breadcrumbs Division, net of any reasonable professional fees and commissions, shall be delivered to 852 and used to permanently reduce and repay the Facility C Loan and the Facility D Loan and, if required by 852 in its sole and absolute discretion, the remainder of the Credit Facilities, all as determined by 852 in its sole and absolute discretion.
 - (b) In the event that Sun Pac fails to meet any of the milestones set out in paragraph 31(iv) hereof, Sun Pac undertakes to transfer to 852 or its permitted assign all of the Obligors' property, assets and undertakings with respect to the Breadcrumbs

- 6 -

Division in full satisfaction of all obligations owing pursuant to the Facility C Loan and the Facility D Loan plus \$10.00. All documentation with respect to such transfer shall be in form and substance acceptable to 852 acting in its sole discretion.

- (c) As security for the obligations of Liquibrands under this Agreement, the Loan Agreement and the Security, Liquibrands undertakes to execute, as soon as reasonably possible following the date hereof, an option agreement (and any ancillary documents related thereto) in favour of 852 that grants, among others things, the option to 852 or its permitted assign to acquire all of the issued and outstanding shares of Sun Pac held by Liquibrands (the "Shares") for \$10.00. The option shall be exercisable by 852, and Liquibrands shall deliver the Shares to 852 or its assignee endorsed in blank contemporaneously with this Agreement. All documentation with respect to such option agreement shall be in form and substance acceptable to 852 acting in its sole discretion.
21. Capital Expenditures – The Obligors shall not make any capital expenditures without the prior written consent of 852 in its sole discretion.
22. Encumbrances – The Obligors shall not encumber, sell, transfer, convey, lease or otherwise dispose of any of their respective assets or property out of the ordinary course of business without the prior written consent of 852, which consent may be withheld in 852's sole discretion.
23. Notice of Default – The Obligors shall, upon coming aware of same, forthwith provide 852 with written notice of the occurrence of an Event of Default hereunder.
24. Notice of Enforcement – The Obligors shall notify 852 in writing immediately upon receipt of any claim or demand, verbal or written, from any person for the payment of indebtedness (excluding claims or demands for repayment of trade payables in the ordinary course of business that are less than \$25,000) or the seizure or repossession of inventory or equipment, the enforcement of security, or the enforcement of rights by any landlord (including the exercise of any right of distraint or the termination of any lease).
25. Priority Claims – Except as otherwise consented to in advance in writing by 852, the Obligors shall keep current all of their respective obligations to creditors who may have a lien, charge, security interest or deemed trust in their respective property and assets which may rank in priority to the security held by 852 on such property and assets, including all Priority Claims (as defined in the Loan Agreement).
26. Proof of Priority Claims – The Obligors shall provide written evidence to 852, forthwith upon request made by 852, that all Priority Claims have been paid, such written evidence to be in a form and content to the satisfaction of 852 in its sole discretion.
27. Access to Premises, Books and Records – The Obligors shall upon request, permit 852, its representatives or agents, during normal business hours, to enter upon their respective premises to inspect their respective property and assets, and to examine and make copies

of all books and records relating thereto including any books and records required by 852, its representatives or agents.

28. Material Contracts – The Obligors shall not surrender, terminate, repudiate or amend, vary or modify in a manner adverse to 852 acting reasonably, any material contract with respect to their respective business without the prior written consent of 852 which may be withheld in 852’s sole discretion.
29. Notice of Proceedings – The Obligors shall promptly provide 852 with notice of the commencement of any law suit, proceedings or other action brought by any person against any of the Obligors (where such law suit, proceedings or other action the Obligors exceeds \$25,000), and provide 852 with a copy of the relevant pleadings and diligently keep 852 current and up to date with respect to the status of any such law suit, proceeding or other action.
30. Other Agreements – The covenants and other terms and conditions contained in the Security shall continue in full force and effect, except that, to the extent there exists any actual inconsistency between such provisions and the provisions of this Agreement, the provisions of this Agreement shall govern.

Default

31. Events of Default – Any one or more of the following events will constitute an event of default under this Agreement (each an “Event of Default”):
- (i) the non-payment when due of any principal, interest or other amounts payable by Sun Pac to 852 whether under this Agreement, the Loan Agreement, or otherwise;
 - (ii) a default or breach of any obligation, promise, covenant, term or condition occurs under this Agreement, the Loan Agreement or the Security;
 - (iii) a proceeding is taken by or against any of the Obligors with respect to a reorganization, compromise or arrangement with creditors, or to have any of the Obligors declared bankrupt, or a proceeding is taken to have a receiver, interim receiver, lien trustee, receiver and manager or agent appointed over all or any part of the property and assets of any of the Obligors (including the private appointment of any such receiver, receiver and manager or agent) or an encumbrancer takes possession of all or any part of the property and assets of any of the Obligors;
 - (iv) Sun Pac fails to meet any of the following milestones in respect of the marketing and sale of the Breadcrumbs Division by the corresponding deadline (or such later date as 852 may agree in writing):

Milestone	Deadline
1. Delivery to 852 of a binding sale agreement for the sale of the Breadcrumbs Division, that	November 6, 2013

is acceptable to 852 in its sole and absolute discretion	
2. Completion of the sale of the Breadcrumbs Division and payment to 852 in accordance with paragraph 20 hereof	December 6, 2013

- (v) any of the Obligors does not observe or perform any of its respective obligations in any document, instrument, agreement or certificate executed and delivered by any of the Obligors to any creditor, other than an unsecured trade creditor and such breach has not been cured to the satisfaction of 852;
- (vi) any person takes possession of all or any material part of the property of any of the Obligors by distress or execution or similar process is levied or enforced against all or any material part of the property of any of the Obligors;
- (vii) any of the Obligors commits or allows to occur an act of bankruptcy or makes an unauthorized assignment or bulk sale of its property or assets;
- (viii) there is a change in the senior management of any of the Obligors without the prior written consent of 852;
- (ix) there is a change in the *de facto* control of any of the Obligors;
- (x) if any financial reporting information provided by or on behalf of any of the Obligors to 852 proves to be false, misleading, inaccurate or incorrect in any material respect, or if there is a material failure to provide 852 with such financial reporting or other information as they may require from time to time; and
- (xi) 852, acting in good faith and upon commercially reasonable grounds, believes that the prospect of payment of the Indebtedness and/or the amounts owing under the Loan Agreement or performance by the Obligors of any of their obligations under this Agreement, the Loan Agreement or the Security is or is about to be impaired or that all or any part of any of the Obligors' property is or is about to be placed in jeopardy.

32. Remedies -- In addition to 852's rights and remedies available under the Loan Agreement, the Security, under this Agreement, at law or in equity, upon the occurrence of an Event of Default:

- (a) the balance owing by the Obligors to 852 shall, at the option of 852, become immediately due and payable; and
- (b) the Loan Agreement and the Security shall, at 852's option, become enforceable in accordance with their terms, including without limitation 852's right to the appointment a private receiver or the court appointment of an interim receiver,

national receiver and receiver and manager of the Obligors' respective property, assets and undertaking.

Consent

33. Subject to applicable law, upon the occurrence of an Event of Default, the Obligors each consent to any action by 852 in connection with the enforcement of the Loan Agreement and Security, without the necessity of further notice or demand, and hereby agree not to directly or indirectly commence, carry on, consent to, or be a party in any way to any proceeding which would constrain any such action or which would call into question the validity or enforceability of the Indebtedness, the Credit Facilities, the Loan Agreement and/or the Security. Without limiting the generality of the foregoing, upon or after the occurrence of an Event of Default, the Obligors each hereby irrevocably consent to the making of a bankruptcy order and the private or Court appointment of a receiver or receiver and manager in respect of any or all of the property or assets of the respective Obligors.
34. Concurrently with the execution of this Agreement, the Obligors shall each execute consents in the form attached hereto as Schedule "C" to give effect to the above consents. The consents may be utilized by 852 at any time upon or after the occurrence of an Event of Default, acting in 852's sole and unfettered discretion. The Obligors each authorize 852's or its solicitors to insert the date onto the consents.

Miscellaneous

35. Forbearance Fee – Sun Pac shall pay to 852 the sum of \$50,000 as a forbearance fee (the "Forbearance Fee"), which shall be fully earned on execution of this Agreement and shall be payable as follows: (a) \$25,000 from the initial advance of the Facility C Loan; and (b) \$25,000 on the earlier of (i) the Forbearance Termination Date; (ii) the sale of the Breadcrumbs Division; (iii) demand being made by 852; and the (iv) date of the initial advance of the Facility D Loan. Payment of the unpaid portion of the Forbearance Fee by Sun Pac shall be secured by the Security.
36. Reimbursement – The Obligors agree to reimburse 852 in respect of all reasonable expenses (including reasonable legal fees and disbursements at its solicitors' normal charges and any amounts paid to BDO arising from 852's guarantee of payment of the fees and disbursements owing by the Obligors to BDO pursuant to an engagement letter dated September 5, 2013) which 852 has incurred or will incur in connection with any review of the Loan Agreement and the Security, the negotiation, preparation and administration of this Agreement, and the enforcement of the Loan Agreement and the Security. 852 may pay such expenses directly and the amount so paid shall form part of the indebtedness of the Obligors to 852, shall bear interest from the date of payment at the highest rate payable by Sun Pac for any of the Credit Facilities and shall be secured by the Security.
37. Currency - All amounts referred to in this Agreement are in the lawful money of Canada unless otherwise noted.

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38. Further Assurances – The Obligors, upon request by 852, shall promptly do, make, execute and deliver all such further acts, documents and instruments as 852 may reasonably require to allow 852 to enforce any of its rights under this Agreement and to give effect to the intention of this Agreement.
39. Capacity and Authority – Each of the Obligors represents and warrants to 852 that it has the capacity and authority to enter into and perform its respective obligations under this Agreement.
40. Necessary Proceedings – The execution and delivery of this Agreement and the performance by the Obligors of their respective obligations hereunder have been duly authorized by all necessary proceedings.
41. Headings – The headings contained herein are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
42. Severability – If, in any jurisdiction, any provision of this Agreement or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.
43. Time – Time is of the essence in the performance of the parties' respective obligations.
44. Amendment – No amendment, supplement, modification or waiver or termination of this Agreement and, unless otherwise specified, no consent or approval by any party, shall be binding unless executed in writing by the party to be bound thereby.
45. Notices – Any notice, consent or approval required or permitted to be given in connection with this Agreement (a "Notice") shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery), or if transmitted by facsimile:
- (i) in the case of a Notice to 852 at:

77 King Street West
Suite 2925, P.O. Box 322
Toronto, Ontario M5K 1K7

Attention: Natasha Sharpe, President
Facsimile: (416) 633-7902

and with a copy to:

Chaitons LLP
5000 Yonge Street, 10th Floor
Toronto, Ontario M2N 7E9

- 11 -

Attention: Philip L. Taylor
Facsimile: (416) 218-1855

(ii) in the case of a Notice to the Obligor:

10 Sun Pac Blvd.
Brampton, Ontario L6S 4R5

Attention: Csaba Reider
Facsimile: (905) 792-8490

46. Assignment – The Obligor may not assign this Agreement or any rights or obligations under this Agreement except with the prior written consent of 852 which may be withheld in 852's sole discretion.
47. Enurement – This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors (including any successor by reason of amalgamation of any party) and permitted assigns.
48. Governing Law – This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
49. Execution and Delivery – This Agreement may be executed in counterparts, and acceptance of this Agreement may be provided by facsimile transmission or email transmission in PDF format and, on such execution and transmission, this Agreement shall be binding on the parties with the same force and effect as if originally executed.
50. Entire Agreement – The Loan Agreement and the Security, together with the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the parties and set out all the covenants, promises, warranties, representations, conditions, understandings and agreements between the parties pertaining to the subject matter of this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written. There are no covenants, promises, warranties, representations, conditions, understanding or other agreements, oral or written, express, implied or collateral between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

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IN WITNESS OF WHICH the parties have duly executed this Agreement on the date described above.

8527504 CANADA INC.

By:

Name: Natasha Sharpe
Title: President

I have authority to bind the corporation

SUN PAC FOODS LIMITED
By:

Name: Csaba Reider
Title: President

I have authority to bind the corporation

LIQUIBRANDS INC.
By:

Name: Csaba Reider
Title: President

I have authority to bind the corporation

SCHEDULE "A"

1. Amended and Restated Facility A Demand Grid Promissory Note dated January 18, 2013 in the face amount of \$7,000,000 executed by Sun Pac in favour of BCI, as assigned to 852

2. Facility B Demand Grid Promissory Note dated January 18, 2013 in the face amount of \$2,250,000 executed by Sun Pac in favour of BCI, as assigned to 852
3. General Security Agreement dated October 1, 2012 executed by Sun Pac in favour of BCI, as assigned to 852
4. Assignment of Insurance Monies dated October 1, 2012 executed by Sun Pac in favour of BCI, as assigned to 852
5. Guarantee and Postponement dated October 1, 2012 executed by Liquibrands in favour of BCI, as assigned to 852
6. General Security Agreement dated October 1, 2012 executed by Liquibrands in favour of BCI, as assigned to 852

SCHEDULE "B"

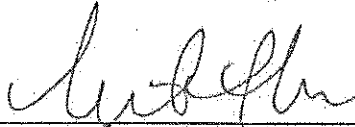
INDEBTEDNESS OWING

Loan	Amount
Facility A Loan - Principal	\$2,009,680.23
Facility A Loan - Accrued Interest	\$3,756.58
Facility B Loan - Principal	\$1,932,524.00
Facility B Loan - Accrued Interest	\$3,812.10
Pro-rated monthly monitoring fee	\$266.67
TOTAL:	\$3,950,039.57

SCHEDULE "C"

See attached.

THIS IS EXHIBIT "H" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

CONSENT

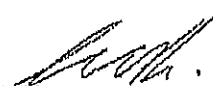
TO: 8527504 CANADA INC.

SUN PAC FOODS LIMITED hereby consents to the private or court appointment of an interim receiver, receiver or receiver and manager in respect of its property, assets and undertaking.

DATED at Brampton, Ontario this 11th day of Sept., 2013

SUN PAC FOODS LIMITED

Per:



Name: Csaba Reider
Title: President

I have authority to bind the corporation

CONSENT

TO: 8527504 CANADA INC.

LIQUIBRANDS INC, heroby consents to the private or court appointment of an interim receiver, receiver or receiver and manager in respect of its property, assets and undertaking.

DATED at Brampton, Ontario this 11th day of Sept., 2011

LIQUIBRANDS INC.

For: 

Name: Csaba Reidor
Title: President

I have authority to bind the corporation

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF
SUN PAC FOODS LIMITED,
a company incorporated under the laws of the Province of Ontario, carrying on business in
the City of Brampton, in the Province of Ontario

CONSENT

SUN PAC FOODS LIMITED hereby consents to the immediate making of a Bankruptcy
Order in respect of its property, assets and undertakings.

DATED at Brampton, Ontario this 11th day of Sept, 2013

SUN PAC FOODS LIMITED

Per: 

Name: Csaba Reidor

Title: President

I have the authority to bind the corporation

ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)

IN THE MATTER OF THE BANKRUPTCY OF
LIQUIBRANDS INC.,
a company incorporated under the laws of the Province of Ontario, carrying on business in
the City of Brampton, in the Province of Ontario

CONSENT

LIQUIBRANDS INC. hereby consents to the immediate making of a Bankruptcy Order
in respect of its property, assets and undertakings.

DATED at Brampton, Ontario this 11th day of July, 2013

LIQUIBRANDS INC.

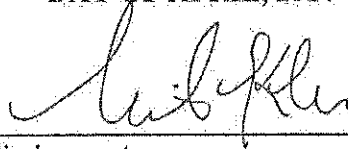
Per: 

Name: Csaba Reider

Title: President

I have the authority to bind the corporation

THIS IS EXHIBIT "I" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

5000 YONGE STREET, 10TH FLOOR, TORONTO, CANADA M2N 7E9
www.chaitons.com



REPLY TO: PHILIP L. TAYLOR
FILE NO.: 48398
DIRECT: 416-218-1125
FAX: 416-218-1855
EMAIL: philip@chaitons.com

PRIVATE & CONFIDENTIAL

October 10, 2013

VIA EMAIL

Sun Pac Foods Limited
10 Sun Pac Blvd.
Brampton, ON L6S 4R5

Attention: Csaba Reider, President

Re: **Indebtedness of Sun Pac Foods Limited to Bridging Capital Inc., as assigned to
8527504 Canada Inc. (the "Lender")**

Dear Mr. Reider,

We are the solicitors for the Lender. We refer to the amended and restated letter agreement dated January 17, 2013 (the "Loan Agreement"), and the forbearance and amending agreement dated September 11, 2013 (the "Forbearance Agreement"), each among Sun Pac, the Lender and Liquibrands. Capitalized terms shall have the meanings ascribed to such terms in the Forbearance Agreement unless otherwise defined herein.

We confirm that the Lender has expressed to Sun Pac serious concerns with, *inter alia*, persistent late reporting; draw requests being made in excess of availability; the inclusion of slow moving inventory in the Weekly Borrowing Base Report premised upon inaccurate and changing information; the inclusion of inventory in the Weekly Borrowing Base Report with incorrect values; and persistent failure to meet sales projections. In particular, the Lender has expressed concern in respect of a quantity of Brazilian frozen concentrate (the "Juice") that had been rejected by the US FDA prior to the execution of the Loan Agreement. At the time, Sun Pac had advised that the Juice was to be sold to a cruise liner. When asked why the Juice had not been sold some months later, Sun Pac advised that the Juice was going to be repackaged and sold to dollar stores. Months later in response to further enquiry as to why the Juice remained in inventory, Sun Pac advised that it would be blended in to regular product. Given that the Juice remains in inventory and the fact that the Borrower is persistently short on raw material, it has become clear to the Lender that the Juice is not suitable for sale. Furthermore, it has become clear that the Lender can no longer rely on information provided by management.

We further confirm that the Lender has expressed serious concerns with respect to the immediate and long term working capital requirements and the prospects and sustainability of the business of the Borrower.



As you are aware, Sun Pac and Liquibrands acknowledged in the Forbearance Agreement that any credit provided by the Lender pursuant to the Loan Agreement and the Forbearance Agreement was being provided at its discretion on a day to day, on demand basis and that the Lender was and is under no obligation whatsoever to extend any credit or make any further advances to Sun Pac.

Pursuant to the terms of the Loan Agreement, the availability of advances or subsequent advances is subject to and conditional upon, *inter alia*, the Lender being satisfied that there has been no Event of Default and no event that affects or could materially adversely affect the business, assets, liabilities, prospects or operations of Sun Pac. Please be advised that in light of the foregoing, the fact that the exclusion of the Juice from the Facility A Loan Availability has put further strain on the working capital of Sun Pac and the Lender's lack of confidence in management, the Lender has determined that there has been a material deterioration in the prospects and financial condition of Sun Pac.

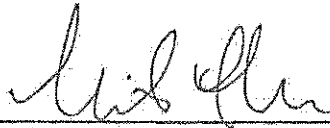
As a result of the foregoing and the existing Events of Default, which were expressly preserved by the Forbearance Agreement, and in accordance with its rights under the Loan Agreement and the Forbearance Agreement, we hereby notify you that the Lender will not be making any Facility D advances to Sun Pac and that the Facility D availability is hereby terminated.

Yours truly,
CHAITONS LLP


Philip L. Taylor
Partner

c. Bridging Capital (via email)

THIS IS EXHIBIT "J" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

From: James Grout [<mailto:JGrout@tgf.ca>]
Sent: Monday, November 11, 2013 08:34 PM
To: Harvey G. Chaiton
Subject: Re: Sun Pac

Harvey

Have George send me the materials.

I am seeking instructions.

Jim

From: Harvey G. Chaiton [<mailto:Harvey@chaitons.com>]
Sent: Monday, November 11, 2013 07:53 PM Eastern Standard Time
To: James Grout
Cc: Philip L. Taylor <Philip@chaitons.com>; George Benchetrit <George@chaitons.com>
Subject: Re: Sun Pac

Jim

I am on a plane tomorrow morning to IIC conference. I informed Bridging Capital of your advice that Sun Pac ceased operations last Thursday. In the circumstances, we have received instructions to seek appointment of a receiver without delay. We intend to see a judge tomorrow afternoon. George Benchetrit will be handling matter. He will send you an electronic copy of the materials once available. Pls let George know whether the company intends to oppose or take a position. Thx

Harvey G. Chaiton
Partner | Chaitons LLP | T: 416.218.1129

From: Harvey G. Chaiton
Sent: Monday, November 11, 2013 03:58 PM
To: 'James Grout' <JGrout@tgf.ca>
Cc: Philip L. Taylor
Subject: Sun Pac

Jim

Further to our telephone conversation a short time ago, I want to confirm my understanding of what you mentioned. I understand you were retained by the company last week and had a meeting with Csaba Reider, the CEO of the company, on Friday to discuss this matter. It was not until today that he advised you that he had shut down operations last Thursday, letting all but a few employees go home. You indicated that it was up to Bridging Capital to decide whether, in the circumstances, to enforce its security or fund operations to allow company to resume operations and conduct a sale process. If Bridging Capital should decide to seek the appointment of a receiver, does the company intend to oppose? Please advise.

Harvey G. Chaiton
Partner

Direct Tel: 416.218.1129
Direct Fax: 416-218-1849
Harvey@chaitons.com

5000 Yonge Street, 10th Floor, Toronto, Canada, M2N 7E9

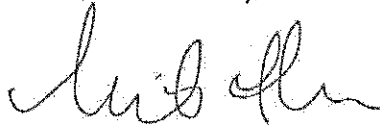
www.chaitons.com



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THIS IS EXHIBIT "K" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

REPORT : PSSR060
PAGE : 1
(5227)

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

RUN NUMBER : 042
RUN DATE : 2014/02/11
ID : 20140211142310.14

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

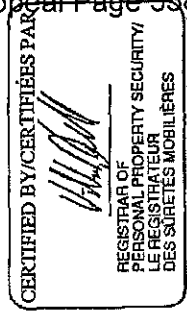
TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : LIQUIBRANDS INC.
FILE CURRENCY : 10FEB 2014

ENQUIRY NUMBER 20140211142310.14 CONTAINS 6 PAGE(S), 2 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

CHALTONS LLP (LYNN)
5000 YONGE STREET, 10TH FLOOR
TORONTO ON M2N 7E9

CONTINUED... 2



REPORT : PSSR060
PAGE : 2
(5228)

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

RUN NUMBER : 042
RUN DATE : 2014/02/11
ID : 20140211142310.14

BUSINESS DEBTOR
SEARCH CONDUCTED ON
LIQUIBRANDS INC.
10 FEB 2014

SEARCHED BY: [REDACTED] / CLEAR: [REDACTED]

00	ISSUE NUMBER	682118667
01	REGISTRATION FILE NO. OF PAGE	20121012 1340 1590 9147 P PFSA 5
02	DATE OF ENTRY	[REDACTED]
03	BUSINESS NAME	LIQUIBRANDS INC.
04	ADDRESS	10 SUN PAC BLVD. BRAMPTON ON L6S 4R5
05	DEBTOR	[REDACTED]
06	NAME	[REDACTED]
07	ADDRESS	[REDACTED]
08	REGISTERED PARTY	BRIDGING CAPITAL INC. TORONTO ON M5J 2N7
09	ADDRESS	95 WELLINGTON STREET WEST, SUITE 915 TORONTO ON M5J 2N7
10	COLLATERAL CLASSIFICATION	[REDACTED]
11	MOTOR	[REDACTED]
12	VEHICLE	[REDACTED]
13	GENERAL	[REDACTED]
14	CONTACTING	[REDACTED]
15	ADDRESS	[REDACTED]
16	REGISTRATION	CHATLONS LLP (DB/48398) TORONTO ON M2N 7R9
17	GENERAL	5000 YONGE STREET, 10TH FLOOR TORONTO ON M2N 7R9

CONTINUED ... 3

CERTIFIED BY/CERTIFIÉES PAR
[Signature]
REGISTRAR OF
PERSONAL PROPERTY SECURITY
LE REGISTRATEUR
DES SÔRETÉS MOBILIÈRES
(c/fifs 08/2013)



REPORT : PSSR060
PAGE : 3
(5229)

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

RUN NUMBER : 042
RUN DATE : 2014/02/11
ID : 20140211142310.14

TYPED BY : [REDACTED]
BUSINESS DEBTOR
SEARCH CONDUCTED ON : LIQUIBRANDS INC.
SEARCHED BY : [REDACTED]
10 FEB 2014

FORM TO BE FURNISHED TO THE REGISTRAR

00 FILE NUMBER
081454458

01 DEBTOR'S REGISTRATION NUMBER 20120914 1319 1590 7594 P PPSA 5
REGISTRATION NUMBER 5

02 DEBTOR'S NAME LIQUIBRANDS INC. TORONTO
03 BUSINESS NAME LIQUIBRANDS INC. TORONTO
04 ADDRESS 365 BAY STREET, SUITE 800 TORONTO
05 DEBTOR'S ADDRESS BRIDGING CAPITAL INC. TORONTO
06 DEBTOR'S ADDRESS BRIDGING CAPITAL INC. TORONTO
07 DEBTOR'S ADDRESS BRIDGING CAPITAL INC. TORONTO

08 SECURED PARTY / CHAIRMAN BRIDGING CAPITAL INC. TORONTO
09 ADDRESS BRIDGING CAPITAL INC. TORONTO

10 MOTOR VEHICLE REGISTRATION NO. P19RD
MOTOR VEHICLE AMOUNT 1000000000
MOTOR VEHICLE DATE OF ACQUISITION 01/01/2014

11 MOTOR VEHICLE REGISTRATION NO. P19RD
12 MOTOR VEHICLE AMOUNT 1000000000
13 MOTOR VEHICLE DATE OF ACQUISITION 01/01/2014
14 GENERAL REGISTRATION NO. 48398
15 REGISTRATION NO. 48398
16 REGISTRATION NO. 48398
17 REGISTRATION NO. 48398

CERTIFIED BY / CERTIFIÉES PAR
[Signature]
REGISTRAR OF PERSONAL PROPERTY SECURITY
LE REGISTRATEUR DES SÛRÉTÉS MOBILIÈRES
(aj/is 09206)



PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

RUN NUMBER : 042
RUN DATE : 2014/02/11
ID : 20140211142310.14

BUSINESS DEBTOR
LIQUIBRANDS INC.
10 FEB 2014

20120925 1520 1590 8075

01 [REDACTED]
21 [REDACTED] 681454458
22 [REDACTED] NO SPECIFIC PAGE AMENDED
23 [REDACTED] FIRST GIVEN NAME LIQUIBRANDS INC.
24 [REDACTED] BUSINESS NAME LIQUIBRANDS INC.
25 [REDACTED] TO AMEND BUSINESS DEBTOR ADDRESS.
26 [REDACTED]
27 [REDACTED]
28 [REDACTED] DATE OF BIRTH
02/ [REDACTED] FIRST GIVEN NAME LIQUIBRANDS INC.
05 [REDACTED] BUSINESS NAME LIQUIBRANDS INC.
03/ [REDACTED]
06 [REDACTED] ADDRESS 10 SUN PAC BLVD.
04/07 [REDACTED] ONTARIO CORPORATION NO. 168 4RS

29 [REDACTED] ASSIGNOR
08 [REDACTED]
09 [REDACTED] ADDRESS

10 [REDACTED] COLLATERAL CLASSIFICATION
11 [REDACTED] YEAR MAKE
12 [REDACTED] MOTOR VEHICLE
13 [REDACTED] GENERAL
14 [REDACTED] LOCAL FINANCE
15 [REDACTED] FINANCIAL INSTITUTION
16 [REDACTED] ADDRESS CHATONS LLP (DE/48398)
17 [REDACTED] ADDRESS 5000 YONGE STREET, 10TH FLOOR TORONTO ON M2N 7B9

*** FOR FURTHER INFORMATION CONTACT THE SECURED PARTY. ***
CONTINUED...

CERTIFIED BY/CERTIFIÉES PAR
REGISTRAR OF PERSONAL PROPERTY SECURITY
LE REGISTREUR DES BIENS MOBILIÈRES
(e/s/s 09/2013)



PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
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CERTIFICATE

RUN NUMBER : 042
RUN DATE : 2014/02/11
ID : 20140211142310.14

BUSINESS DEBTOR
LIQUIBRANDS INC.
10 FEB 2014

FORM OF FINANCING CHARGE STATEMENT / CHARGE STATEMENT

REGISTRATION PAGE MOTOR VEHICLE REGISTRATION REGISTERED
FILING NO. OF PAGES SCHEDULE BUSINESS INDEX PERIOD
001 1 20121012 1348 1590 9154 P PPSA

01 RECORDS 681454458

PAGE AMENDED NO SPECIFIC PAGE AMENDED CHANGE REQUIRED
REASON A AMENDMENT

23 FIRST GIVEN NAME SURNAME
24 BUSINESS NAME LIQUIBRANDS INC.

25 OTHER CHARGE TO AMEND COLLATERAL CLASSIFICATION TO INCLUDE INVENTORY, EQUIPMENT,
26 REASON/ ACCOUNTS, OTHER AND MOTOR VEHICLE INCLUDED.
27 DESCRIPTION

02/ PAGE OF BLANK FIRST GIVEN NAME SURNAME
05 DEBTOR BUSINESS NAME
03/ DEBTOR BUSINESS NAME
06 ADDRESS

ONTARIO CORPORATION NO.

29 ASSIGNOR SECURED PARTY/LEIN CLAIMANT/ASSIGNEE

08 ADDRESS

09 COLLATERAL CLASSIFICATION MOTOR VEHICLE DATE OF NO. FIXED
10 COPIES INVESTMENT EQUIPMENT OTHERS INCLUDED AMOUNT GRADE OF MOTOR VEHICLE

11 YEAR MAKE MODEL V. I. N.

12 MOTOR VEHICLE

13 GENERAL

14 COLLATERAL

15 REGISTRATION

16 SECURED PARTY/ AGENT OR

17 ADDRESS

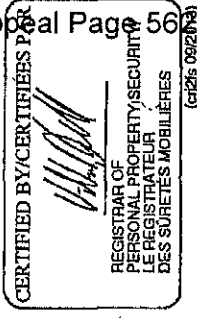
CHATONS LLP (DB/48389)
5000 YONGE STREET, 10TH FLOOR

TORONTO

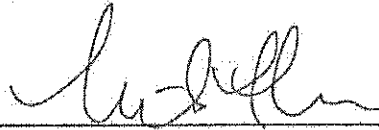
ON M2N 7E9

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 6



THIS IS EXHIBIT "L" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

Court File No. CV 13-10331-00CL



ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM)
JUSTICE MESBUR)
TUESDAY, THE 12TH DAY
OF NOVEMBER, 2013

BETWEEN:

8527504 CANADA INC.

Applicant

- and -

SUN PAC FOODS LIMITED

Respondent

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

ORDER

THIS MOTION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing BDO Canada Limited as receiver (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Sun Pac Foods Limited (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Len Kofman sworn November 12, 2013 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant and counsel for the Respondent, and on reading the consent of BDO Canada Limited to act as the Receiver,

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, BDO Canada Limited is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect of the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

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- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to undertake environmental or workers' health and safety assessments of the Property and operations of the Debtor;
- (j) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (k) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (l) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,

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- i. without the approval of this Court in respect of any transaction not exceeding \$_____, provided that the aggregate consideration for all such transactions does not exceed \$_____; and
- ii. with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [or section 31 of the Ontario *Mortgages Act*, as the case may be,] shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (m) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (n) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (o) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (p) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (q) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;
- (r) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and

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- (s) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "Persons" and each being a "Person") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "Records") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give

unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

NO PROCEEDINGS AGAINST THE RECEIVER

7. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "Proceeding"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY

8. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

9. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment,

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(iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH THE RECEIVER

10. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

CONTINUATION OF SERVICES

11. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

RECEIVER TO HOLD FUNDS

12. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for

herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

EMPLOYEES

13. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

PIPEDA

14. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

LIMITATION ON ENVIRONMENTAL LIABILITIES

15. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "Possession") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release

or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the Ontario *Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "Environmental Legislation"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

LIMITATION ON THE RECEIVER'S LIABILITY

16. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

RECEIVER'S ACCOUNTS

17. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "Receiver's Charge") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

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18. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

19. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the normal rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

FUNDING OF THE RECEIVERSHIP

20. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$200,000.00 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "Receiver's Borrowings Charge") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

21. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without Leave of this Court.

22. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "Receiver's Certificates") for any amount borrowed by it pursuant to this Order.

- 11 -

23. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

GENERAL

24. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

25. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

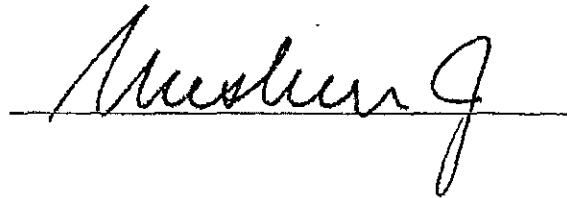
26. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

27. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

28. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

- 12 -

29. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



RECEIVED
COURT OF APPEALS
LEAVE TO APPEAL - REGISTERED

NOV 12 2013

MB

SCHEDULE "A"
RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

1. THIS IS TO CERTIFY that BDO Canada Limited, the receiver (the "Receiver") of the assets, undertakings and properties of Sun Pac Foods Limited acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the ___ day of _____, 20__ (the "Order") made in an action having Court file number ___-CL-_____, has received as such Receiver from the holder of this certificate (the "Lender") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the _____ day of each month] after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

- 2 -

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ____ day of _____, 20__.

BDO CANADA LIMITED, solely in its capacity
as Receiver of the Property, and not in its
personal capacity

Per: _____

Name:

Title:

8527504 CANADA INC.

Applicant

and

SUN PAC FOODS LIMITED

Respondent

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at TORONTO

ORDER

CHATTONS LLP
5000 Yonge Street, 10th Floor
Toronto, Ontario
M2N 7E9

George Benchetrit (LSUC #34163H)
Tel: 416-218-1141
Fax: 416-218-1841

Lawyers for the Applicant

8527504 CANADA INC.

Applicant

and

SUN PAC FOODS LIMITED

Respondent

Court File No.

*Mr. Binkert for applicant
 Mr. Beaulieu for respondent
 The Respondent's Note
 appearing, Resisting
 order to go in terms
 I sought order of leave
 to proceed.
 Meeting*

ONTARIO
 SUPERIOR COURT OF JUSTICE
 (COMMERCIAL LIST)

Proceedings commenced at TORONTO

APPLICATION RECORD

CHATONS LLP
 5000 Yonge Street, 10th Floor
 Toronto, Ontario
 M2N 7E9

George Bencheit (LSUC #34163H)
 Tel: 416-218-1141
 Fax: 416-218-1841

Lawyers for the Applicant

THIS IS EXHIBIT "M" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

CV-13-00492612-0000

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

SUN PAC FOODS LIMITED and LIQUIBRANDS INC.

Plaintiffs

and

8527504 CANADA INC. and BRIDGING CAPITAL INC.

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANT(S):

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The Claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the *Rules of Civil Procedure*, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service, in this court office, **WITHIN TWENTY DAYS** after this Statement of Claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the *Rules of Civil Procedure*. This will entitle you to ten more days within which to serve and file your Statement of Defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date November 12, 2013

Issued by *A. Sinclair*
Local Registrar

Address of
court office: 393 University Avenue, 10th Floor
Toronto, Ontario
M5G 1E6

TO: Bridging Capital Inc.
77 King Street West
Suite 2925, P.O. Box 3 22
Toronto, Ontario
M5K 1 K7

8527504 CANADA INC.
BRIDGING CAPITAL INC.
77 King Street West
Suite 2925, P.O. Box 3 22
Toronto, Ontario
M5K 1 K7

CLAIM

1. The plaintiffs claim: *(State here the precise relief claimed.)*
 - (a) the sum of \$100,000,000.00 as general damages for breach of contract, breach of fiduciary duty to the plaintiffs as de facto managers of Sun Pac Foods Limited and waiver of tort; loss of goodwill and loss of future economic value of Sun Pac Foods Limited as a going concern;
 - (b) the sum of \$500,000.00 as exemplary, aggravated and punitive damages;
 - (c) prejudgment interest in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (d) post judgment interest in accordance with section 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
 - (e) the substantial indemnity costs of this proceeding, plus all applicable taxes; and
 - (f) such further and other Relief as to this Honourable Court may seem just.

2. The plaintiff, Sun Pac Foods Limited ("Sun Pac"), is a corporation incorporated under the laws of Ontario, known for its production of fruit juices, frozen juices, juice concentrates and other beverage products in Brampton, Ontario, which are distributed throughout Canada, the U.S. and the Caribbean.

3. The plaintiff, Liquibrands Inc. ("Liquibrands"), is a corporation incorporated under the laws of Ontario which owns the shares of Sun Pac.

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4. The defendant, 8527504 Canada Inc. ("852"), is a corporation incorporated under the laws of Canada and is in the private lending business.
5. The defendant, Bridging Capital Inc. ("BCI"), is a corporation incorporated under the laws of Canada and is in the private lending business.
6. Sun Pac began negotiations with Canada's largest food retailer in August, 2012 to manufacture carbonated juice, sports drinks and soft drinks. Long and detailed negotiations commenced and continued during the winter and into the spring of 2013.
7. Sun Pac required interim financing pending completion of the negotiations and approached BCI.
8. BCI made demand credit facilities available to Sun Pac on September, 2012 (the "Loan Agreement").
9. The plaintiffs gave security for the loan. Sun Pac machinery, accounts receivable, equipment and collateral manufacturing operations had a value of approximately \$8,000,000.00.
10. BCI assigned the Loan Agreement and Security to 852.
11. Negotiation of the food retailer contract continued during the spring and summer of 2013 and resulted in a signed agreement dated September 24, 2013. The contract creates potential gross revenue for Sun Pac in the amount of \$250,000,000.00 and a five year exit value of approximately \$70,000,000.00
12. Prior to completion of the food retailer contract 852 demanded repayment of indebtedness owing under the September, 2012 and January, 2013 Loan Agreement from Sun Pac.

-3-

13. 852 agreed to forbear enforcing its security pursuant to a Forbearance Agreement on September 13, 2013 (the "Agreement"). The Agreement was entered into in anticipation of the completion of the food retailer contract and a period of time for financing the purchase of machinery to perform the food retailer contract through to December 6, 2013.

14. On September 4, 2013, Sun Pac owed the defendants \$3,950,039.57. Sun Pac had no other debt other than ordinary course trade supplier invoices.

15. Liquibrands guaranteed \$1,000,000.00 of Sun Pac debt.

16. 852 agreed to finance Sun Pac pending completion of the food retailer contract negotiations and agreed not to enforce its security prior to the earlier of December 9, 2013 or an Event of Default.

17. 852 extended Sun Pac additional demand credit facilities consisting of:

(a) Facility C: a demand non-revolving loan of Five Hundred Thousand Dollars (\$500,000), and

(b) Facility D: a demand non-revolving loan in the amount of up to 2 times EBITDA of the Breadcrumbs Division as determined by BDO Canada Transaction Advisory Services, Inc. ("BDO") in its report dated September 25, 2013 to Sun Pac and 852 less the amount advanced to Sun Pac under the Facility C Loan.

18. 852 advanced the Facility C Loan.

19. Sun Pac signed the retailer supply contract on September 24, 2013. Sun Pac met the conditions for an advance on the Facility D loan on October 1, 2013.

20. On October 1, 2013 the amount available under the Facility D loan was \$1.1 million.
21. On October 4, 2013 the defendants refused to advance the Facility D Loan. The defendants knew or ought to have known acting reasonably that breach of their obligation to advance the Facility D loan endangered the continued operations of Sun Pac until it could arrange financing for execution of the food retailer contract; close the sale of the Breadcrumbs Division and continue operations in the ordinary course until December 6, 2013.
22. The defendants continued to take predatory interest on the Facility C loan of 36% calculated on the daily outstanding balance, compounded monthly, not in advance and with no deemed reinvestment of monthly payments.
23. The Facility C Loan and the Facility D Loan were to be repaid the earlier of (i) the Forbearance Termination Date; (ii) the sale of the Breadcrumbs Division; and (iii) demand being made by 852. Repayment is not due.
24. Sun Pac solicited interim financing to repay the defendants. The defendants refused to postpone their security to facilitate the financing notwithstanding their failure satisfy their obligation to fund the Facility D loan.
25. The defendants' management used their lending position to take de facto control of Sun Pac. Sun Pac's management *inter alia*:
 - (a) is restrained from entering agreements outside of the ordinary course of business, except with the prior written consent of 852;

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- (b) must market and sell the croutons and breadcrumbs division that manufactures and produces products under the McDowell Ovens brand (the "Breadcrumbs Division");
- (c) shall not accept any offer to purchase the Breadcrumbs Division without 852's prior written approval and shall deliver to 852 any proceeds of sale;
- (d) shall not make any capital expenditures without the prior written consent of 852 in its sole discretion;
- (e) shall not encumber, sell, transfer, convey, lease or otherwise dispose of any of their respective assets or property out of the ordinary course of business without the prior written consent of 852;
- (f) shall not surrender, terminate, repudiate or amend, vary or modify in a manner adverse to 852 acting reasonably, any material contract with respect to their respective business without the prior written consent of 852 ;
- (g) deliver a binding sale agreement for the sale of the Breadcrumbs Division, that is acceptable to 852 by November 6, 2013; and
- (h) complete sale of the Breadcrumbs Division and payment to 852 by December 6, 2013.

26. Liquibrands was obliged on default to transfer the shares of Sun Pac held by Liquibrands (the "Shares") to the defendants for \$10,00.

27. The defendants had discretion to withhold consent to any matters requiring their consent.

28. The defendants breached the Agreement with the plaintiffs by refusing to fund the Facility D loan.

29. Notwithstanding their default under the Agreement the defendants' management became de facto directors of Sun Pac and directed Sun Pac's operations solely in the defendants' interests in bad faith contrary to the defendants' contractual obligations, the reasonable expectations of the parties and commercially reasonable conduct.

30. It was within the reasonable contemplation of the parties at the time the Agreement was executed that if the defendants breached their obligations to fund the Facility D loan Sun Pac would be unable to find replacement financing to perform the retail contract; unable to continue as a going concern and unable to sell the Breadcrumb Division by December 6, 2013 to satisfy the defendants' loan.

31. It was within the reasonable contemplation of the parties at the time the Agreement was executed that if the defendants breached their obligations to fund the Facility D loan the value of Liquibrands Inc. shares in Sun Pac would be negligible and Liquibrands Inc. would lose approximately \$70,000,000.00 of exit value for Sun Pac in five years.

32. The Agreement granted the defendants authority and powers to demand and receive confidential business, operations and financial information about Sun Pac not otherwise available to any but directors, officers and confidential advisers of a corporation. The Agreement gave the defendants the ability to harm Sun Pac by its breach of the agreement to fund, to devalue Liquibrands shares of Sun Pac and exploit Sun Pac's business affairs in their own interests and contrary to the interests of Sun Pac.

-7-

33. The plaintiffs plead that the defendants demand for and use of confidential business and operations information and the exercise of powers granted the defendants in the Forbearance Agreement created a fiduciary relationship between the defendants and plaintiffs in that:

- (a) The defendants were aware that their financing was intended to bridge the period between the commencement of negotiations of the food retailer contract and the commencement of operations to fulfill the contract;
- (b) The defendants were aware that financing was required to provide working capital for Sun Pac pending permanent financing for the execution of the food retailer contract;
- (c) The defendants demanded and received confidential business information and controlled the use of funds advanced while retaining predatory financing charges;
- (d) The defendants knew that failure to fund the Facility D loan or postpone security for alternative interim financing would cause irreparable damage to the plaintiffs;
- (e) The defendants had and exercised daily management decision making powers to limit the ability of Sun Pac to carry on business other than in the interest of the defendants;
- (f) The defendant knew that alternative financing was impossible without the defendants cooperation and agreement;
- (g) The defendants knew that Sun Pac was vulnerable to financial impairment failing the advance of the Facility D loan or postpone of security for take out financing.

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34. The plaintiffs performed their obligations and provided the defendants with daily and weekly confidential operating financial information, real time information on the negotiation of the contracts for sale of the Breadcrumb Division, financing proposals to third parties containing business plans and revenue expectations, and every other business, financial and operating record in the company.

35. The defendants unjustly enriched itself by wrongfully abusing of their rights as a lender and ignoring their contractual obligations and in equity and good conscience defendants should not be permitted to retain that by which it has been enriched by such abuse.

36. The defendants owed the plaintiffs a duty of honesty and good faith in the performance of the Agreement, in funding the Facility D loan and facilitating the financing necessary to repay the defendants and perform the retail food contract.

37. The plaintiffs put their trust and faith in the defendants to perform their obligations under the lending agreement reasonably, honestly and in good faith; to not perform their obligations in a fashion that eviscerated the very purpose of the Agreement and to use confidential business, operations and financial information only for the purpose for which it was provided, in particular to monitor the execution of the retail contract, the sale of the Breadcrumb business and refinancing Sun Pac with long term financing.

38. The defendants breached their duty of fair dealing and good faith in the performance of the contract in that they failed to act reasonably in asserting their rights under the Agreement and exercised their rights for collateral purposes contrary to the reasonable expectations of the parties and in particular the plaintiffs and in pursuing unforeseen commercially unreasonable conduct even for a predatory lender.

39. The defendants took over management and control of the plaintiffs and compelled the company to operate solely in the interests of the defendants for the realization of its security notwithstanding the plaintiffs were not in default of the loan agreement and the defendants defaulted in providing the very financing necessary to facilitate the continued success of Sun Pac.

40. The plaintiffs plead that the defendants breached their contract in bad faith; and that in the circumstances of the relationship between the parties, the purpose of the Agreement; the disclosure of confidential information to the defendants; the defendants obligations under the Agreement, the impediments caused by the defendants to refinancing and the failure to fund the Facility D loan absence of default under the Agreement, the defendants breached a fiduciary duty to the plaintiffs arising from the special relationship created by the Agreement.

41. As a result of the defendants' breach, the plaintiffs are unable to sell the Breadcrumbs Division, or start and complete the food retailer contract, and have and will suffer damages as herein claimed in loss of revenue to Sun Pac and loss of profits and dividends to Liquibrands Inc.

42. The plaintiffs propose that this action be tried in Toronto, Ontario.

-10-

November 12, 2013

WIRES JOLLEY LLP
Barristers and Solicitors
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Suite 200
Toronto, Ontario
M5H 3V9

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Fax: (416) 366-0002

Lawyers for the plaintiffs

SUN PAC FOODS LIMITED AND LIQUIBRANDS INC. -and- 8527504 CANADA INC. and BRIDGING CAPITAL INC.

Plaintiff

Defendant

CV - 13 - 80 99 26 12 - 8882

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO

STATEMENT OF CLAIM

WIRES JOLLEY LLP
Barristers and Solicitors
90 Adelaide Street West
Suite 200
Toronto, Ontario
M5H 3V9

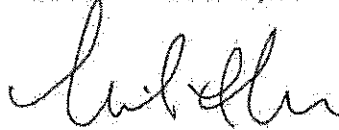
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Fax: (416) 366-0002

Lawyers for the plaintiffs

THIS IS EXHIBIT "N" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

5000 YONGE STREET, 10TH FLOOR, TORONTO, CANADA M2N 7E9
www.chaitons.com



REPLY TO: HARVEY G. CHAITON
FILE NO.: 48398
DIRECT: 416-218-1129
FAX: 416-218-1849
EMAIL: harvey@chaitons.com

April 7, 2014

VIA REGISTERED MAIL

Liquibrands Inc.
365 Bay Street, Suite 800
Toronto, ON M5H 2V1

Attention: Csaba Reider, President

Re: Indebtedness of Liquibrands Inc. ("Liquibrands") to Bridging Capital Inc., as assigned to 8527504 Canada Inc. (the "Lender")

Dear Mr. Reider,

As you know, we are the lawyers for the Lender in connection with this matter.

We refer to the Guarantee and Postponement Agreement dated October 1, 2012 (the "Guarantee"). Pursuant to the Guarantee, Liquibrands guaranteed payment of all of the indebtedness and liabilities of Sun Pac Foods Limited ("Sun Pac") to the Lender to the maximum principal amount of \$1.0 million plus interest and costs. We also refer to the Forbearance Agreement dated September 11, 2013 (the "Forbearance Agreement"). Pursuant to the Forbearance Agreement, Liquibrands confirmed that it did not dispute its liability on any basis whatsoever under the Guarantee, and that the Guarantee was binding on it and is valid and enforceable against it in accordance with its terms.

The indebtedness under the Guarantee is secured by, *inter alia*, a General Security Agreement dated October 1, 2012.

According to our client's records, Sun Pac is indebted to the Lender as at April 4, 2014 in the amount of \$3,440,539.80 for principal, interest and fees, plus costs.

The Lender hereby declares the entire principal amount of \$1.0 million owing by Liquibrands to the Lender under the Guarantee to be immediately due and payable. Unless the total principal amount owing as aforesaid together with accrued interest and legal costs actually incurred to the date of payment or satisfactory arrangements therefor are made forthwith, the Lender shall take such steps as it deems necessary or advisable to recover payment of Liquibrands' indebtedness to it.



Enclosed please find the Lender's Notice of Intention to Enforce Security, which is served upon Liquibrands pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Govern yourself accordingly.

Yours truly,
CHAITONS LLP

A handwritten signature in black ink, appearing to read "Harvey G. Chaiton", is written over the typed name.

Harvey G. Chaiton
PARTNER

Enclosure

Cc: 852750-4 Canada Inc. (via e-mail)
David Wires, *Wires Jolley LLP* (via e-mail)

NOTICE OF INTENTION TO ENFORCE A SECURITY
(given pursuant to section 244 of the *Bankruptcy and Insolvency Act*)

To: **Liquibrands Inc.**, an insolvent person

Take notice that:

1. **8527504 CANADA INC.**, a secured creditor, intends to enforce its security on all of the property, assets and undertaking of Liquibrands Inc.
2. The security that is to be enforced is in the form of a General Security Agreement dated October 1, 2012 (collectively, the "Security").
3. The total principal amount of indebtedness secured by the Security as at April 4, 2014 is \$1.0 million, plus interest and costs.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement.

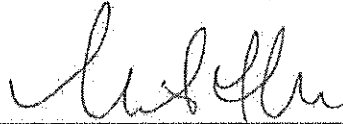
DATED at Toronto, this 7th day of April, 2014.

8527504 CANADA INC.,
by its solicitors Chaitons LLP

Per: 

HARVEY G. CHAITON

THIS IS EXHIBIT "O" TO
THE AFFIDAVIT OF NATASHA SHARPE
SWORN BEFORE ME THIS 10TH
DAY OF APRIL, 2014



A Commissioner etc.

Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

BETWEEN:

8527504 CANADA INC.

Applicant

- and -

LIQUIBRANDS INC.


Respondent

APPLICATION UNDER Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

CONSENT

BDO Canada Limited hereby consents to its appointment as receiver of the property, assets and undertakings of the Respondent substantially in accordance with the terms of the draft Order included with the application record herein.

BDO CANADA LIMITED

Per: 
BLAIR F. DAVIDSON
PRESIDENT

I have authority to bind the corporation.

8517504 CANADA INC.
Applicant

- and -

LIQUIBRANDS INC.
Respondent

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at TORONTO

CONSENT

CHAITONS LLP
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Lawyers for the Applicant

8527504 CANADA INC. (Applicant / Respondent)
8527504 CANADA INC. (Applicant / Respondent)

-and- SUN PAC FOODS LIMITED (Respondent)
-and- LIQUIBRANDS INC. (Respondent / Appellant)

Court File No. CV13-10331-00CL / CV-14-10543-00CL
Court of Appeal File No. M44532 / M44533

COURT OF APPEAL FOR ONTARIO

MOTION RECORD OF THE RESPONDENT/MOVING PARTY CREDITOR, LIQUIBRANDS INC. (Motion for Leave to Appeal)

WIRES JOLLEY LLP
Barristers and Solicitors
90 Adelaide Street West
Suite 200
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M5H 3V9

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Fax: (416) 366-0002

Lawyers for the respondent/moving party
creditor, Liquibrands Inc.

