

PCAS Sales and Investor Search Process (“SISP”) Summary

Defined Terms

1. All capitalized terms used but not otherwise defined herein have the meaning given to them in the Order granted by the Ontario Superior Court of Justice (the “**Court**”) on March 23, 2012 (the “**Initial Order**”) in respect of the Applicants proceedings commenced under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”).

SISP Procedures

2. The SISP Procedures set forth herein describe, among other things, the Applicants’ Property available for sale and the opportunity for an investment in the Applicants’ business, the manner in which the prospective bidder may gain access to or continue to have access to due diligence materials, the manner in which bidders and bids become Qualified Bidders (as defined below) and Qualified Bids (as defined below), respectively, the receipt and negotiations of bids received, the ultimate selection of a Successful Bidder (as defined below) and the Court’s approval thereof.
3. The Applicants, with the assistance of the Monitor (the “**SISP Team**”), will compile a listing of prospective purchasers and investors. The SISP Team will make best efforts to contact all parties identified in the list as well as any additional parties that the SISP Team believes could be a potential strategic or financial purchaser or investor.
4. The Applicants, with the assistance and support of the Monitor (who will also monitor the process), will conduct a sale and investor solicitation process whereby prospective

purchasers and investors will have the opportunity to submit a bid for the Applicants' Property or make an investment in the Applicants.

5. As soon as possible, the SISP Team will distribute to prospective purchasers and investors a solicitation letter summarizing the acquisition and/or investment opportunity (the "Teaser"). The Teaser will include a form of confidentiality agreement ("CA") that prospective purchasers and investors will be required to sign in order to gain access to confidential information and to perform due diligence. Those parties who have already executed a confidentiality agreement with the Applicants (also a "CA" for the purposes hereof) may not be required to execute a new confidentiality agreement.
6. In order for a prospective bidder to sign a CA and participate in the SISP, the Applicants and the Monitor must receive the following from such prospective bidder:
 - (a) information sufficient, in the Applicant's discretion and in consultation with the Monitor, to identify the prospective bidder and to prove that the prospective bidder has the financial ability to become a Qualified Bidder;
 - (b) representations and warranties that the prospective bidder is not acting as a broker, agent or other representative of any other person in connection with the transaction, and is considering the transaction only for its own account unless the Applicant, in consultation with the Monitor, expressly waives this requirement in writing.
7. The Applicants will update the existing confidential business plan (the "Business Plan") to be made available to prospective purchasers and investors that execute a CA. The Business Plan will provide an overview of the Applicants' business, assets and prospects.

8. Prospective purchasers and investors that have executed a CA will be provided with an opportunity to review financial and other information in the Applicants' online data room and will also be provided with an opportunity to meet with senior management and members of the board of directors of the Applicants and such other parties as the Applicants may arrange.
9. The sale of the Applicants' Property or the investment in the Applicants will be made on an "as is, where is" basis without surviving representations or warranties of any kind, nature, or description by the Monitor or the Applicants, except to the extent set forth in the definitive sale or investment agreement with a Successful Bidder.

Stalking Horse Bid

10. The Applicants have agreed with the DIP Lender that the DIP Lender shall submit a stalking horse bid for the purchase of substantially all of the property, assets and undertaking of the Applicants on an "as is, where is" basis (the "**Stalking Horse Bid**"). The Stalking Horse Bid will allow the DIP Lender to credit bid its debt in exchange for the purchase of the Applicants' Property. The Stalking Horse Bid will provide for a purchase price equal to the amount of outstanding secured liabilities owing by the Applicants to the DIP Lender (being the principal amount of the DIP Loan advances and all interest and all reasonable fees and expenses to the closing) plus the assumption of all senior secured indebtedness of the Applicants (the "**Secured Indebtedness**"), estimated to be approximately CDN\$[7.9] million. The purchase price contained in the Stalking Horse Bid will be satisfied by the release of the liabilities owed to the DIP Lender by the Applicants plus the value of the assumed senior secured indebtedness. The Stalking

Horse Bid shall not be permitted to be in an amount in excess of the Secured Indebtedness.

Bidding Procedures

11. The bidding procedures are as follows (the “**Bidding Procedures**”):

- (a) all bids for purchase and/or investment must be submitted in writing to the Monitor and received no later than noon (Toronto time) on May 24, 2012 (the “**Bid Deadline**”);
- (b) each potential bidder must submit, before the Bid Deadline, a bid including the identification of the bidder, evidence of corporate authority and proof of its financial ability to perform to the satisfaction of the Applicants and the Monitor;
- (c) a bid should, among other things, be in the form of a binding offer capable of acceptance, irrevocable until one day after closing of the Successful Bid (as defined below), and must contemplate a purchase price (in the case of a sale bid), or an amount available for stakeholders (in the case of an investment bid) of greater than the Secured Indebtedness (being the estimated purchase price of the Stalking Horse Bid including fees and excluding the amount of any other assumed liabilities) in cash or other consideration acceptable to the DIP Lender and be accompanied by a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the order of the Monitor, in trust (the “**Deposit**”), in an amount equal to the greater of 10% of the purchase price or investment contemplated therein or CDN\$790,000 (each bid submitted in accordance with

these bidding procedures a “**Qualified Bid**” and each such bidder a “**Qualified Bidder**”).

- (d) if no Qualified Bids are received, the Stalking Horse Bid shall be deemed to be a Qualified Bid and the Successful Bid and the Applicants and the DIP Lender shall proceed to consummate the transaction contemplated thereby, subject to finalization of documentation and the Court’s approval thereof.

Qualified Bids

12. A bid will be considered a Qualified Bid only if (i) it is submitted by a Qualified Bidder on or before the Bid Deadline or it is the Stalking Horse Bid, and (ii) the bid (for the avoidance of doubt, including a Stalking Horse Bid) complies with, among other things, the following requirements:

- (a) it includes a letter stating that the bidder’s offer is irrevocable until the business day after the closing of the Successful Bid;
- (b) it includes (if not the Stalking Horse Bid) written evidence of a firm, irrevocable commitment for financing, or other evidence of ability to consummate the proposed transaction, that will allow the Applicants, in consultation with the Monitor, to make a reasonable determination as to the Qualified Bidder’s financial and other capabilities to consummate the transaction contemplated by its bid;
- (c) in respect of a purchase of the Applicants’ Property, it includes a reasonably detailed listing and description of the property to be included in the sale and in the case of an investment in the Applicants’ business, it includes a reasonably

detailed listing and description of any of the Applicants' Property to be divested or disclaimed prior to closing;

- (d) it includes details of the proposed number of employees of the Applicants who will become employees of the bidder (in the case of a purchase of the Applicants' Property) or shall remain as employees of the Applicants (in the case of an investment in the Applicants' business) and, in each case, provisions setting out the terms and conditions of employment for continuing employees;
- (e) it includes details of any liabilities to be assumed by the Qualified Bidder;
- (f) it is not conditional upon, among other things:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder; or
 - (ii) obtaining financing;
- (g) it fully discloses the identity of each person or entity that will be sponsoring or participating in the bid, and the complete terms of such participation;
- (h) it outlines any anticipated regulatory and other approvals required to close the transaction and the anticipated time frame and any anticipated impediments for obtaining any such approvals;
- (i) it identifies with particularity the contracts and leases the bidder wishes to assume and reject, contains full details of the bidder's proposal for the treatment of related cure costs (and provides adequate assurance of future performance thereunder); and it identifies with particularity any executory contract or unexpired lease the assumption and assignment of which is a condition to closing;
- (j) it provides a timeline to closing with critical milestones;

- (k) it contains other information reasonably requested by the Applicants, in consultation with the Monitor;
- (l) in the case of a purchase of the Applicants' Property, it includes the following: an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the purchase and sale agreement; and
- (m) in the case of an investment in the Applicants' business, it includes an acknowledgement and representation that the bidder: (a) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its bid; and (b) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the business of the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the investment agreement.

13. The Applicants, with the consent of the Monitor, may waive compliance with any one or more of the requirements specified herein (except the requirement contained herein with respect to the purchase price, in the case of a purchase of the Applicants' Property, or an amount available for stakeholders, in the case of an investment in the Applicants'

business, being in an amount greater than the Secured Indebtedness) and deem such non-compliant bids to be Qualified Bids.

14. A Qualified Bid may, in lieu of providing for the repayment of the amount owing to the DIP Lender in cash, provide the DIP Lender with the option (which the DIP Lender would then be entitled to flow through to the persons who have lent money to the DIP Lender in order to participate in the provision of the DIP Loan to the Applicants) to accept equity in the bidder or other consideration acceptable to the DIP Lender in full or partial satisfaction of the amount owing to the DIP Lender.

Post-Bidding Procedures

15. If one or more Qualified Bids other than the Stalking Horse Bid are received in accordance with the Bidding Procedures, the Applicants, in consultation with the Monitor, may choose to:
 - (a) accept one Qualified Bid (the “**Successful Bid**” and the Qualified Bidder making the Successful Bid being the “**Successful Bidder**”) and take such steps as are necessary to finalize and complete an agreement for the Successful Bid with the selected bidder; or
 - (b) continue negotiations with a selected number of Qualified Bidders (collectively, “**Selected Bidders**”) with a view to finalizing an agreement with one of the Selected Bidders.
16. The Applicants shall be under no obligation to accept the highest or best offer and the selection of the Selected Bids and the Successful Bid shall be entirely in the discretion of the Applicants, after consultation with the Monitor.

Other Terms

17. All Deposits will be retained by the Monitor and invested in an interest bearing trust account. If there is a Successful Bid, the Deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved by the Court will be applied to the purchase price to be paid or investment amount to be made by the Successful Bidder upon closing of the approved transaction and will be non-refundable. The Deposits (plus applicable interest) of Qualified Bidders not selected as the Successful Bidder will be returned to such bidders within 5 Business Days of the date upon which the Successful Bid is approved by the Court. If there is no Successful Bid, subject to the following paragraph, all Deposits (plus applicable interest) will be returned to the bidders within 5 Business Days of the date upon which the SISP is terminated in accordance with these procedures.
18. If a Successful Bidder breaches its obligations under the terms of the SISP, its Deposit shall be forfeited as liquidated damages and not as a penalty.
19. The Applicants will apply to the Court (the “**Approval Motion**”) for an order approving the Successful Bid and authorizing the Applicants to enter into any and all necessary agreements with respect to the Successful Bid and to undertake such other actions as may be necessary or appropriate to give effect to the Successful Bid.
20. The Approval Motion will be held on a date to be scheduled by the Court upon application by the Applicants. The Approval Motion may be adjourned or rescheduled by the Applicants or the Monitor without further notice by an announcement of the adjourned date at the Approval Motion.

21. All Qualified Bids (other than the Successful Bid) will be deemed rejected on the date of approval of the Successful Bid by the Court.
22. For the avoidance of doubt, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or any other statute or as otherwise required at law in order to implement a Successful Bid.
23. There will be no amendments to this SISP without the consent of the Applicants and the Monitor or, in the absence of such consent, the approval of the Court.
24. This SISP does not, and will not be interpreted to, create any contractual or other legal relationship between the Applicants and any bidder, other than as specifically set forth in a definitive agreement that any such bidder may enter into with the Applicants. At any time during the SISP, the Monitor may, upon reasonable prior notice to the Applicants and the DIP Lender, apply to the Court for advice and directions with respect to the discharge of its power and duties hereunder.