

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF KK PRECISION INC.**

Applicant

**MOTION RECORD  
(Returnable June 25, 2014)**

June 24, 2014

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

**IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF KK PRECISION INC.**

Applicant

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<b>A</b>	KK Precision Inc.'s request for offer to purchase assets and terms and conditions associated with the submission of an offer, dated June 16, 2014
<b>B</b>	Redacted copy of the Current Siemens Accommodation Agreement dated June 24, 2014 (unredacted copy and schedules subject to a sealing order sought by the Applicant, and filed separately);
<b>C</b>	Redacted copy of the Pratt Accommodation Agreement dated June 19, 2014 (unredacted copy and schedules subject to a sealing order sought by the Applicant, and filed separately);
<b>D</b>	Copy of the Applicant's cash flow statements for the period commencing the week of May 16, 2014, and ending the week of September 19, 2014; and
<b>E</b>	Letter from Counsel to 2215225 Ontario Inc., the landlord of the premises, regarding the removal of assets.

**TAB 1**

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF KK PRECISION INC.**

**APPLICANTS**

**NOTICE OF MOTION  
(Returnable June 25, 2014)**

KK Precision Inc. (the "**Company**" or "**KKP**") will make a motion to the Court before the Honourable Justice Wilton-Siegel on June 25, 2014 at 9:30 a.m., or as soon after that time as the motion can be heard at 330 University Avenue, Toronto, Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. An Order abridging and validating the time for service of the Notice of Motion and Motion Record such that the Motion is property returnable on June 25, 2014, and dispensing with further service thereto;
2. An Order, substantially in the form attached hereto as Schedule "A", for the following relief:
  - (a) an Order ratifying the Solicitation Process (as defined herein) and authorizing and directing KKP and Richter Advisory Group Inc., in its capacity as court appointed monitor (the "**Monitor**") to do all such things as are reasonably necessary to conduct and give full effect to the Solicitation Process and carry out their respective obligations therein;



- (b) an Order approving the accommodation agreement dated June 24<sup>th</sup>, 2014 between Siemens Energy Inc., KKP, Bank of Montreal and BMO Capital Group (the “**Siemens Accommodation Agreement**”);
- (c) an Order approving the accommodation agreement dated June 19<sup>th</sup>, 2014 between Pratt & Whitney Canada Corp. and KKP (the “**Pratt Accommodation Agreement**”);
- (d) an Order approving the Company’s redaction of the sensitive commercial information contained in the Siemens Accommodation Agreement and Pratt Accommodation Agreement, *nunc pro tunc*, together with an Order sealing the unredacted Siemens Accommodation Agreement and the schedules thereto and the unredacted Pratt Accommodation Agreement and the schedules thereto;
- (e) an Order granting an extension to the stay period (the “**Stay Period**”) granted in the initial order dated May 30, 2014 (the “**Initial Order**”), from June 29, 2014 to September 19, 2014; and
- (f) such further and other relief as this Honourable Court may deem just.

**THE GROUNDS FOR THE MOTION ARE:**

1. KKP, in consultation with the Monitor has delivered a request for offers to purchase all or part of the assets of KKP to an identified list of interested parties (the “**Solicitation Letter**”). The Solicitation Letter sets out the terms and conditions associated with the submission of an offer to purchase, imposing a deadline for receipt of an offer to on or before July 7, 2014 (the “**Solicitation Process**”);
2. Given the current circumstances, it was imperative that KKP promptly proceed with the Solicitation Process, which was developed to maintain a fair, reasonable and open process for those parties that may become involved, and is a critical component to these *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) proceedings;

3. The Siemens Accommodation Agreement and the Pratt Accommodation Agreement (collectively, the “**Accommodation Agreements**”) provide for the ongoing support and co-operation from both Siemens and Pratt during these CCAA proceedings. The Accommodation Agreements are reasonable in the circumstances and ought to be approved. The Accommodation Agreements contain sensitive commercial information and need to remain confidential;
4. KKP applied for and obtained an Initial Order under the CCAA by Order of this Honourable Court on May 30, 2013 (the “**Initial Order**”);
5. The Initial Order granted a stay period up to and including June 29, 2014 (the “**Stay Period**”);
6. An extension of the Stay Period to September 19, 2014 is necessary in order to administer the Solicitation Process and carry out the terms of the Accommodation Agreements;
7. The Monitor supports the proposed relief;
8. The Company has generated approximately \$1,000,000.00 of net positive cash flow since the Initial Order, and KKP appears to have sufficient cash flow to continue operations to the end of the proposed extension date;
9. KKP is working good faith and with due diligence in these proceedings and believes it is in the best interest of KKP and its stakeholder to continue in these CCAA proceedings; and
10. Such further and other grounds as counsel may advise and this Honourable Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

1. The Affidavit of Garth Wheldon sworn June 24<sup>th</sup>, 2014 and the attached exhibits;
2. The First Report of the Monitor dated June 24<sup>th</sup>, 2014 (the “**First Report**”); and

3. Such further and other materials as counsel may advise and this Honourable Court may permit.

June 24<sup>th</sup>, 2014

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**TO: SERVICE LIST**

**TAB A**

**SCHEDULE "A"**

Court File No. CV-14-10573-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR.	)	WEDNESDAY, THE 25 <sup>th</sup>
	)	
JUSTICE WILTON-SIEGEL	)	DAY OF JUNE, 2014

IN THE MATTER OF THE *COMPANIES' CREDITORS  
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF KK PRECISION INC. (the "**Applicant**")

**ORDER**

**THIS APPLICATION**, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Garth Wheldon sworn June 24, 2014 (the "**Wheldon Affidavit**") and the Exhibits thereto, the First Report of Richter Advisory Group Inc., in its capacity as Court appointed monitor (the "**Monitor**"), and on hearing the submissions of counsel for the Applicant, Bank of Montreal and BMO Capital Partners, the Monitor, and no one appearing for any other party although duly served as appears from the affidavit of service of Sinikka Berglund-Yates sworn June 24<sup>th</sup>, 2014;

## **SERVICE**

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

## **STAT EXTENSION**

2. **THIS COURT ORDERS** that the Stay Period provided for in the Initial Order dated May 30, 2014 is hereby extended until and including September 19, 2014, or such later date as this Court may order.

## **SOLICITATION PROCESS**

3. **THIS COURT ORDERS** the solicitation process attached as Exhibit “A” to the Wheldon Affidavit (the “**Solicitation Process**”) is hereby ratified and the Applicant and the Monitor are hereby authorized and directed to implement the Solicitation Process and do all such things as are reasonably necessary to conduct and give full effect to the Solicitation Process and carry out their respective obligations therein.
4. **THIS COURT ORDERS** that the Solicitation Process may be altered or amended by the Applicant, with the consent of the Monitor, in a non-substantive manner to give full or better effect to the Solicitation Process.

## **ACCOMMODATION AGREEMENTS**

5. **THIS COURT ORDERS** that the accommodation agreement dated June 24, 2014 between Siemens Energy Inc., the Applicant, and Bank of Montreal and BMO Capital Group (the “**Siemens Accommodation Agreement**”) is hereby approved, and the Applicant is hereby authorized to perform their obligations thereunder.
6. **THIS COURT ORDERS** that the accommodation agreement dated June 19, 2014 between Pratt & Whitney Canada Corp. and the Applicant (the “**Pratt Accommodation Agreement**”) is hereby approved, and the Applicant is hereby authorized to perform their obligations thereunder.

7. **THIS COURT ORDERS** that the redaction of the sensitive commercial information in the Siemens Accommodation Agreement and the Pratt Accommodation Agreement as set forth in Exhibit "B" and Exhibit "C" of the Wheldon Affidavit is hereby approved *nunc pro tunc*, and that the unredacted Siemens Accommodation Agreement and schedules thereto and the unredacted Pratt Accommodation Agreement and the schedules thereto be kept sealed pending further Order of the Court.

#### **GENERAL**

8. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder, including without limitation in connection with any matters relating to the Siemens Accommodation Agreement, the Pratt Accommodation Agreement, or the Solicitation Process.
  9. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.
-

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KK PRECISION INC.

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**ORDER**  
(Returnable June 25, 2014)

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**ONTARIO  
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Proceeding commenced at TORONTO

**NOTICE OF MOTION**  
(Returnable June 25, 2014)

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**TAB 2**

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
OF KK PRECISION INC.**

**APPLICANTS**

**AFFIDAVIT OF GARTH WHELDON  
(Sworn June 24<sup>th</sup>, 2014)**

I, Garth Wheldon, of the City of Burlington, in the Province of Ontario, **SOLEMNLY SWEAR AND SAY:**

1. I am a managing director of MVM Industrial Services Limited, which is a third party providing consulting services to KK Precision Inc. (the "**Company**" or "**KKP**") pursuant to a Court approved advisory services agreement, and as such, I have personal knowledge of the matters to which I hereinafter deposed to, except where stated to be based on information and belief, in which case I verily believe the same to be true.
2. The affidavit is sworn in support of the motion filed by KKP in these proceedings on June 24<sup>th</sup>, 2014 (the "**Motion**"), for the following relief:
  - (a) an Order ratifying the Solicitation Process (as defined herein) and authorizing and directing KKP and the Monitor (as defined herein) to do all such things as are reasonably necessary to conduct and give full effect to the Solicitation Process and carry out their respective obligations therein;
  - (b) an Order approving the accommodation agreement dated June 24<sup>th</sup>, 2014 between Siemens Energy Inc. ("**Siemens**"), KKP, and Bank of Montreal and BMO Capital

Partners, substantially in the form attached hereto as **Exhibit “B”** (the “**Current Siemens Accommodation Agreement**”);

- (c) an Order approving the accommodation agreement dated June 19<sup>th</sup>, 2014 between Pratt & Whitney Canada Corp. (“**Pratt**”) and KKP (the “**Pratt Accommodation Agreement**”);
  - (d) an Order sealing the Current Siemens Accommodation Agreement schedules and Pratt Accommodation Agreement schedules, together with an Order approving the Company’s redaction of the sensitive commercial information contained in the Accommodation Agreements (as defined herein), *nunc pro tunc*;
  - (e) an Order granting an extension to the stay period (the “**Stay Period**”) granted in the initial order dated May 30, 2014 (the “**Initial Order**”), from June 29, 2014 to September 19, 2014; and
  - (f) such further and other relief as this Honourable Court may deem just.
3. I have had the opportunity to review the first report (the “**First Report**”) of Richter Advisory Group Inc., in its capacity as court appointed monitor in these proceedings (the “**Monitor**”), and I agree with the summaries and the recommendation contained therein.

### **SOLICITATION PROCESS**

- 4. As noted in my Affidavit sworn May 28, 2014 (the “**May Affidavit**”), the Company has identified a total of 57 potential purchasers for all or part of the KKP assets (the “**Assets**”).
- 5. On June 16, 2014, the Company, in consultation with the Monitor, delivered a request for offers to purchase to a group of potential purchasers that either previously expressed prior interest in purchasing the Assets (which included some of the aforementioned 57 potential purchasers) or have been identified by the Company to be strategic purchasers (the “**Interested Parties**”). The request for offers to purchase (the “**Solicitation Letter**”) sets out the terms and conditions associated with the submission of an offer to purchase (an “**Offer**”), imposing a deadline for receipt for Offers before 5:00 p.m. (eastern) on

July 7, 2014 (the “**Solicitation Process**”). Attached and marked as **Exhibit “A”** is a true copy of the Solicitation Process.

6. Given that the Company’s lease extension expires on September 30, 2014, it was imperative that the Company promptly proceed with the Solicitation Process in order to provide a sufficient period of time to:
  - (a) allow the Interested Parties to evaluate the Assets;
  - (b) receive Offers;
  - (c) negotiate a binding and definitive asset purchase agreement;
  - (d) obtain Court approval in respect of a proposed transaction; and
  - (e) facilitate the successful purchaser’s timely removal of the Assets from the operating premises of the Company (on or before September 30, 2014).
7. I verily believe that the Solicitation Process establishes a fair, reasonable and open process for all parties that have an interest in the Company and that may ultimately become involved, and is a critical component in the advancement of these CCAA proceedings.

#### **ACCOMODATION AGREEMENT**

8. The Company is also seeking approval of the Current Siemens Accommodation Agreement and the Pratt Accommodation Agreement (collectively, the “**Accommodation Agreements**”). Salient points of each of the Accommodation Agreements include:
  - (a) KKP continuing the manufacturing of component parts or assembled goods for Siemens and Pratt;
  - (b) the agreement of Siemens and Pratt to pay:
    - (i) the existing accounts receivable due and owing to KKP; and

- (ii) for the components parts and / or assembled goods for the duration of the term of each of the agreements.

Attached and marked as **Exhibit "B"** is a true copy of the Current Siemens Accommodation Agreement, without agreement schedules, which remains subject to modification and finalization of the schedules and attached and marked as **Exhibit "C"** is a true copy of the Pratt Accommodation Agreement, without agreement schedules.

- 9. The Accommodation Agreements provide for the ongoing support and co-operation from Siemens and Pratt during these CCAA proceedings. I am of the view that, in the circumstances, the approval of the Accommodation Agreements is justified. The Monitor also supports the approval of the Accommodation Agreements.
- 10. As a result of the sensitive commercial information contained in the schedules attached to each of the Accommodation Agreements, the Company is seeking a sealing Order with respect to the agreements schedules and an Order approving the redaction of the sensitive commercial information contained in the Accommodation Agreements. The Current Siemens Accommodation Agreement schedules are in the process of being finalized which should be complete prior to the Motion.

### **STAY EXTENSION**

- 11. Since the granting of the Initial Order, the Company has worked closely with the Monitor and has been able to stabilize its operations, communicate with its stakeholders, take the necessary steps to protect value in the Company the Assets, negotiate the terms of the Accommodation Agreements, and develop and implement the Solicitation Process.
- 12. From the date of the Initial Order, the Company's operations have stabilized and continue to generate cash flow sufficient to support this CCAA process. A further extension to the Stay Period is required to finalize and carry out the Accommodation Agreements, and administer the Solicitation Process.
- 13. Attached and marked as **Exhibit "D"** is a true copy of the cash flow forecast appended to the May Affidavit ending September 19, 2014. I have reviewed this forecast and verily

believe that this forecast remains fair and reasonable and demonstrates the ability of the Company to continue operations during the proposed extension to the Stay Period.

14. KKP has acted and continues to act in good faith and with due diligence. I verily believe it is in the best interests of KKP and its stakeholders to continue in these proceedings and that it is appropriate in the circumstance to extend the Stay Period to September 19, 2014.

**MISCELLANEOUS**

15. Attached and marked as **Exhibit "E"** is a true copy of correspondence received from Minden Gross LLP, solicitors to 2215225 Ontario Inc. ("**2215225**"). 2215225 recently acquired the operating premises that KKP leases and is now the landlord; the lease particulars are set out in the May Affidavit. I can advise that KKP will continue to observe and comply with the terms and conditions of the subject lease.
16. I make this affidavit in support of an application for the relief set out in paragraph 2 above.

**SWORN BEFORE ME** at Toronto, Ontario )  
this 24<sup>th</sup> day of June, 2014. )



Commissioner for Oaths in and for the  
Province of Ontario

  
\_\_\_\_\_  
**GARTH WHELDON**

**Christopher Blake Moran**

**TAB A**



Exhibit "A" to the Affidavit of Garth Wheldon, sworn  
before me this 24<sup>th</sup> day of June, 2014.



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Commissioner for Taking Affidavits, etc.

**Christopher Blake Moran**

June 16, 2014

**KK Precision Inc. ("KKP" or the "Company") – Request for Offer to Purchase Assets**

Dear Sirs:

On May 30, 2014, KKP obtained an order (the "**Initial Order**") of the Ontario Superior Court of Justice (Commercial List), pursuant to the Companies' Creditors Arrangement Act (the "**CCAA**"). Richter Advisory Group Inc. (the "**Monitor**") was appointed as Monitor of the Company during its CCAA proceedings.

Located in Toronto, Ontario, KKP manufactures medium-to-large, highly complex gas turbine engine components and sub-assemblies used in the energy, marine and defence sectors.

At this time, the Company is pursuing an orderly wind-down of its operations, and will be continuing production activities until August 31, 2014, at the latest, pursuant to the terms of an Accommodation Agreement approved in the Initial Order.

KKP, in consultation with the Monitor, is soliciting offers to purchase the Company's production assets (as detailed in the attached machinery and equipment listing), or alternatively in respect to the business on a going concern basis, as appropriate (the "**Sale Process**"). The Monitor will be involved in all aspects of the Sales Process to ensure that the marketing process is reasonable and that prospective interested parties have the ability to make an offer for the Company's assets.

Prior to the Company's CCAA proceedings, certain interested parties submitted offers to KKP to purchase its machinery and equipment (the "**Initial Offers**"). Parties that submitted Initial Offers, which they want the Company to consider as part of the Sales Process, are required to confirm the terms of their Initial Offer in writing to the Company and the Monitor. Parties that submitted Initial Offers are, however, permitted to amend their offer in accordance with the procedures set out herein. Initial Offers, which are not confirmed in writing to the Company and Monitor, will not be considered.

Offers to purchase the Company's assets are required to be submitted on or before **5:00 p.m. EST, Monday, July 7, 2014**. With respect to KKP's machinery and equipment, only en bloc offers will be considered. Offers must include the following items:

- 1) the price to be paid and the form of consideration;
- 2) the assets to be purchased (other than machinery and equipment detailed in the attached listing, which must be included en bloc, as part of any qualified offer);
- 3) conditions precedent; and
- 4) any other material terms to the offer.

Please note that the successful offeror will be required to remove all purchased assets from the Company's facility located at 104 Oakdale Road, Toronto, Ontario by no later than **September 30, 2014**.

Parties interested in viewing and inspecting the Company's machinery and equipment should contact Mr. Garth Wheldon at 416-742-5911 or gwheldon@kkprecision.com to schedule an appointment to attend at the Company's premises.

---



104 Oakdale Road  
Toronto, Ontario,  
Canada M3N 1V9  
Tel: (416) 742-5911  
Fax: (416) 742-5166  
www.kkprecision.com

All offers will be reviewed by the Company, in consultation with the Monitor, and subject to the Company's and/or the Monitor's discretion, additional clarifications and negotiations may be required.

The Company reserves the right to negotiate with one or more interested parties at any time and to enter into a definitive agreement without notice to any other interested party. The Company and the Monitor reserve the right not to pursue a transaction of the nature contemplated hereby and to terminate, at any time, in their sole discretion, further participation in the investigation process by any interested party and to modify any data, documentation or other procedures, as may be necessary, without giving any reason therefor.

The acceptability of any offer received is to be determined by the Company in consultation with the Monitor. The Sales Process contemplates that the Company is not required to accept the highest, best or any offer received. In the event that an offer is acceptable, the successful offeror will be provided with a template asset purchase agreement which will form the basis of the transaction. Please note that any sale of the Company and/or its assets will be subject to the approval of the Ontario Superior Court of Justice (Commercial List), which approval will be sought by KKP prior to the end of July 2014.

All inquiries regarding the Company and/or the Sales Process, including any requests for additional information or to submit offers to purchase the Company's assets, should be directed to the following individuals:

KK Precision Inc.  
Garth Wheldon  
416-742-5911  
gwheldon@kkprecision.com

Richter Advisory Group Inc.  
Adam Sherman  
416-642-4836  
asherman@richter.ca



# KK Precision Detailed Machines and Equipment List

April 1, 2014

Item#	Qty	Description
1	1	<b>1989 Fadal "907-1" 60" x 30" 4-Axis Vertical Machining Centre (S22104)</b> S/N 8907483 w/ 21-Pocket Automatic Tool Changer, CAT 40 Spindle, 6,000 RPM, Fadal "CNC88" CNC Control, 4-Axis Capability w/ Tekmara 4th Axis Rotary Indexer
2	1	<b>Jones &amp; Shipman "540H" 6" x 18" Hydraulic Hand Surface Grinder (S32202)</b> S/N 8074193 w/ 2,880 RPM Maximum Speed
3	1	<b>1993 Hardinge "Super Precision HLV-H" Tool Room Lathe (S11201)</b> S/N 14867-T w/ Variable Speed, 125 to 3,000 RPM, Accurite "Master TP" 2-Axis Digital Read-Out, Power Traverse, Collett Attachment, Coolant
4	1	<b>Miller Tig Runner Welder</b> S/N LE415751 w/ Miller Cool Mate 3, Cart
5	1	<b>Avery "3901 AAG" 1000 lb. cap. Portable Beam Scale</b> S/N S-6810069
6	1	<b>Jib Boom Floor Mounted</b> w/ Electric Chain Hoist
7	1	<b>Bridgeport "Series 1" 2HP Vertical Milling Machine</b> S/N 370860482W w/ 9" x 42" Table, R8 Spindle Taper, 36 to 4,200 RPM, Bridgeport Power Longitudinal Feed, 1-Shot Lubrication, Coolant
8	1	<b>Bridgeport "Series 1" 2HP Vertical Milling Machine (S22203)</b> S/N J193485 w/ R8 Spindle Taper, 9" x 42" Table, 36 to 4,200 RPM, Fagor 3-Axis Digital Read-Out, 1 Shot Lubrication, Bridgeport Rear Mounted Vertical Slotting Head - S/N: E12688
9	1	<b>2004 Mori Seiki "NL2000MC/500" CNC Turning Centre</b> S/N NL201DK0180 w/ 12-Position Turret, (2) Live Spindle Stations, 5000 RPM, Mori Seiki "MSX850" CNC Control, SMW
10	1	<b>Fortuna Cylindrical Grinder (S31201)</b> w/ ID Attachment, 22" Maximum Swing, 16"D Magnetic Chuck, 24"D Wheel, Internal Spindle Attachment, Paper Coolant Filter System
11	1	<b>Wespa "MSP4" Vertical Band Saw (S41201)</b> S/N 683040 w/ 15" Throat, 19" x 19" Tilting Table, 10" Under the Guide, Ideal "BSO" Blade Welder, Grinder and Shear, Variable Speed Drive



Item#	Qty	Description
12	1	Harrison "M400" Engine Lathe S/N 487084-5857 w/ 16" Maximum Swing Over the Bed, 10" Swing Over the Cross Slide, 50" Maximum Between Centres w/ Removable Gap, 40 to 2,000 RPM Spindle Speed, 2-1/2" Hole Through Spindle, Mitutoyo 2-Axis Digital Read-Out, Rapid Original Tool Post, Coolant, Splash Guard
13	1	2006 Sullair "ES8-20H/A" 20HP Rotary Screw Air Compressor S/N 003-139750 w/ Receiving Tank
14	1	2009 SNK IKEGAI "NB130PE3.5" Horizontal Boring Mill S/N NN00030 w/ Fanuc Series "16i-MB" CNC Control 6 Axis, 87" x 63" Rotary Table, X - 138", Y - 98.4", Z - 63", W - 27.5", Troyke 94" Rotary Table 6th Axis, 60 Station ATC, Chip Conveyor, Control Panel, (2) Right Angle Heads
15	1	2010 Deckel Maho "DMU 160P" Duo Block Horizontal Machining Centre S/N 12080000083 w/ Rotary Table 59.1" x 49.2", X - 63", Y - 49.2", Z - 43.3", Max. Spindle Speed 12,000 rpm., 60 Station ATC, Measuring Probes, Tool Probes, Specialized Head Attachments
16	1	Donaldson Torit "WSO25-1" Mist Collector S/N 3625700-01-U01-01
17	1	Schaerer "UD500" Engine Lathe S/N 32-793 w/ 24" Maximum Swing Over the Bed, 12" Over the Cross Slide, 36" Between Centres, 4-Way Tool Post, 3-1/4" Hole Through Spindle, 7 to 1,400 RPM Spindle Speed
18	1	2008 O-M Ltd. "NEO 20" Vertical Turning Centre S/N MT-1611B w/ Fanuc Series "Oi-TC" CNC Control, Table Size 78.75", Swing 94.5", Height 59", Chip Conveyor
19	1	2008 O-M Ltd. "NEO 16" Vertical Turning Centre S/N MT-1596H w/ Fanuc Series "Oi-TC" CNC Control, Table Size 63", Swing 78.75", Height 59", Chip Conveyor

Item#	Qty	Description
20	1	<b>1991 Dainichi "M152X400" 2-Axis CNC Lathe (S11112)</b> S/N 24978 w/ 40" Swing Over the Cross Slide, 150" Between Centres, 750 RPM Maximum Speed, 60"D 4-Jaw Chuck, (2) Steady Rests, Follow Rest, 4-Way Tool Post, Fanuc "Series 15T" CNC Control, Motorized Rapid Tail Stock, Chip Conveyor
21	1	<b>2001 Toshiba "TUE20" 2-Axis CNC Vertical Boring Mill (S12104)</b> S/N 440188 w/ 80"D Table, est. 80" Under the Rail, Single Tool Head w/ 2-Position Holder, Fanuc "Series 18T" CNC Control, Turbo Systems Chip Conveyor, 12-Position Automatic Tool Changer
22	1	<b>2000 Toshiba "TUE20" 2-Axis CNC Vertical Turning Lathe (S12102)</b> S/N 440174 w/ 80"D Table, 90" Maximum Swing, est. 60" Under the Rail, Fanuc "Series 18T" CNC Control, 12-Pocket Automatic Tool Changer
23	1	<b>1968 Giddings &amp; Lewis "VTL" 60" 3-Axis CNC Vertical Turret Lathe (S12101)</b> S/N 510-6968 w/ 60"D Table, Single Head w/ 5-Tool Change, est. 50" Under the Cross Rail, est. Maximum 600 RPM, Fagor CNC Control, Pit Mounted
24	1	<b>Tos Varnsdorf "W100A" 4" Horizontal Boring Mill (S21202)</b> S/N 312246 w/ 49" x 49" Rotary Table, 24"D Facing Head, est. 50" Vertical Travel, 48" Cross Travel, 70" Longitudinal Travel, 7 to 1,120 RPM Spindle Speed, 40" Quill Travel, Fagor 4-Axis Digital Read-Out, Coolant, Work Light, Pendant Control, Outboard Support
25	1	<b>Stanko "2A622-1" Horizontal Boring Mill (S21201)</b> S/N 290 w/ 5" Spindle, Universal Head, 44" x 50" Rotary Table, 35" Longitudinal Travel, 40" Cross Travel, 32" Vertical Travel, 12.5 to 1,250 RPM Spindle Speed, Accurite 3-Axis Digital Read-Out, Coolant, 40" Ram Traverse, Operator's Pendant Control
26	1	<b>Tos "SKJ20" 3-Axis CNC Vertical Boring Mill (S12103)</b> S/N 22120004 w/ (2) Vertical Rams, 80"D Table, est. 50" Maximum Under Rail, 550 RPM Maximum Table Speed, Fagor CNC Control, 63KW Motor, Pit Mounted w/ Hydraulic Power Pack

Item#	Qty	Description
27	Lot	<b>Non-Destructive Test Centre - Consisting of:</b> Floor Mounted Jib Crane w/ CM Lodestar 1-Ton Pendant Controlled Electric Hoist, 2-Door Metal Cabinet, Zygo "L2948" Inspection Process Machinery - S/N: 77437 w/ Overhead Fume Vent, Stainless Steel Water Wash System w/ Overhead Vent, Zygo "ZD-2972" Fluorescent Penetrant Pass-Through Type Tester - S/N: 77437, Hooded Work Area w/ Inspection Table, Spectrolite "DSE2000A" Radiometer Photometer System, Magniflux "P-500" Testing Unit, Floor Mounted Jib Crane w/ No Hoist, 36" x 48" x 8" Black Granite Surface Plate on Stand, Vulcan "3-550" Bench Top Oven
28	Lot	<b>Assembly, Testing and Cleaning Area - Consisting of:</b> Butcher Block Table w/ Hand-Operated Arbour Press, SIC Marking System w/ Controller, Assorted Rotary Tables, Vises, Work Bench w/ Vise, (2) Test Units (#T001, #T002) w/ Stainless Steel Cabinets, High Pressure Powered Pumps, Digital Control, Micrometer, Assorted Plastic Tote Bins, Sink, Lab Oven, Sterilizer, Assorted Glass Wear, Fisher Scientific "Isotemp" Oven, Fisher Scientific "FS60H" Ultrasonic Rinser Tank, Fisher Scientific "FS60" Cleaner Tank
29	1	<b>1987 OM "TMS2-20/40N" 3-Axis CNC Vertical Boring Mill (S12105)</b> S/N MN864008 w/ GE Fanuc "Series 18i-T" CNC Control, 90"D Table, 100" Maximum Swing, est. 80" Between Rail and Talbe, est. 125 RPM Turning Speed, 15-Pocket Automatic Tool Changer
30	1	<b>Motivation 1000 lb. cap. Floor Mounted Jib Boom</b> w/ CM Electric Chain Hoist
31	1	<b>Sullair "2209A" 30HP Rotary Screw Air Compressor</b> S/N 200609270094 w/ Reservoir Tanks, Sullair "RN150" Refrigerated Air Dryer
32	1	<b>1991 Ferranti "Merlin XM" Co-ordinate Measuring Machine</b> S/N 3388 w/ Control, Probes, 57" x 75" Granite Table, 45" Between Uprights, 35" Under Bridge
33	1	<b>Mitutoyo "FN1106" Gantry-Type Co-Ordinate Measuring Machine</b> S/N 8910909 w/ Renishaw "PH9A" Probe, 35" x 48" Table, 30" Maximum Under the Bridge, PC, Printer, Joystick Control



Item#	Qty	Description
34	1	King "Century Turn VBM" CNC Vertical Boring Mill (S12107) (Remanufactured May 2000) S/N 17338 w/ GE Fanuc "Series 18i-T" CNC Control, 90"D Table, 100" Maximum Swing, est. 80" Between Rail and Table, est. 125 RPM Turning Speed, 15-Pocket Automatic Tool Changer
35	1	Cincinnati "Century Turn VBM" CNC Vertical Boring Mill (S12106) (Remanufactured 2000) S/N 2016 w/ 96"D Table, est. 60" Maximum Between Table and Rail, GE Fanuc "Series 18iT" CNC Control, 15-Pocket Automatic Tool Changer
36	1	1989 Toshiba Shibaura "BTD-11R16, 5 Axis CNC Horizontal Boring Mill S/N 433671 w/4.3" Spindle, Cat 50 Spindle, 2500 RPM, 40 Pocket ATC, 55" x 63" Rotary Table, Travels, X-78.7", Y-59", Z-57", W-19.7", Troyke 60" Dia 5th Axis Rotary Table, Angle Plate, Tosnuc T0777 Control
37	1	2001 Shibura Toshiba "BTD-13FR22" 4-Axis CNC Floor-Type Horizontal Boring Mill (S12105) S/N 144384 w/ 5" Spindle, Toshiba "Tosnac 8" CNC Control, 70" x 87" Rotary Table, 90" Vertical Travel, 78" Longitudinal Travel, 92" Cross Travel, 32-Pocket Tool Changer, Chip Conveyor, Spindle Coolant, (3) Universal Heads
38	1	2004 Makino "A-100E, RDF-140-8-206" 5-Axis Twin Pallet Horizontal Machining Centre (#S2-1102) S/N 050001-2 w/ 39.4" Pallet, Travels X-66.9", Y-53.1", Z-55.1", 12,000 RPM, 132-Pocket Automatic Tool Changer, CAT 50 Spindle Taper, G1 CNC Control, Onakazi Heavy Smoker Mist Collector, "A100S Oilmatic" Temperature Controllers
39	1	Spuroni "KPT" Projector Tool Setter w/ "STP3" 2-Axis Digital Read-Out
40	Lot	Miscellaneous Equipment - Consisting of: Qty Wooden Butcher Block Work Tables w/ Benches, Oxy Acetylene Torch and Cart Set, Baldor Bench Top Double-End Pedestal Grinders, Heavy Duty Racking w/ 6" Beam, 4-Levels High, Steel Work Bench w/ (2) Vises, (5) Metal 2-Door Cabinets, Assorted Tooling and Racking for Machine Shop w/ Dividing Heads, Rotary Tables, Index Fixtures, Chucks, Vises, Darex Tool Sharpener, Lista Tooling Cabinets, Pedestal Drill Press, Agathon Pedestal Grinder, Leeson Belt Grinder, Tennant Floor Scrubber

Item#	Qty	Description
41	Lot	<b>Tool Crib Area, Tooling and Fixtures - Consists of:</b> 2-Door Metal Cabinets, Adjustable Racking, Lista Tool-Type Cabinets, Assorted Holders, Cutters, Perishable Tooling, Tooling and Fixtures Through out Shop, Angle Plates, etc.
42	1	<b>Mitutoyo "PO/750/D" Optical Comparator</b> S/N 7563 w/ Quadra Check "2000" 2-Axis Read-Out, Mitutoyo "Rockwell 940-130" Hardness Tester - S/N: 9921
43	1	<b>Cabinets - Precsion Measuring Equipment</b> w/ Assorted Bore Gauges, Digital Height Guages, Verniers, Calipers, Measuring Instruments, Roughness Tester, Inserts, Micrometers, Surface Plates, Blocks, V-Blocks, etc.
<div>Note: Faro Arm includes a Laser Tracker</div>		
45	1	<b>Faro Arm "Quantum" Portable Co-Ordinate Measuring Machine</b> S/N NQ10020907802 w/ Laptop Computer
46	Lot	<b>Office Furniture and Computers - Consisting of:</b> Desk, Chairs, Filing Cabinets, Storage Cabinets, Desk Top Computers and Monitoes, Pinters, Laptops, etc.



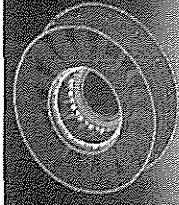
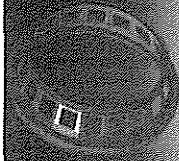
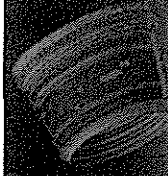
# KKP Oakdale Facility

Machines & Equipment



## Typical Materials

Forgings or Castings



- » High temp Nickel based alloys
- » Inconel, Waspaloy, Cobalt
- » Titanium
- » Inethete
- » All types of Stainless Steel
- » Aluminum

## Manufacturing

- » Turning Horizontal up to 60" (1.5m)
- » Turning Vertical up to 157" (4m)
- » Milling - Horizontal and Vertical
- » Milling – up to 6 Axes, Multi-Pallet
- » Honeycomb Grinding (spark erosion)
- » NDT (MPI, FPI & LPI)
- » Assembly & Testing

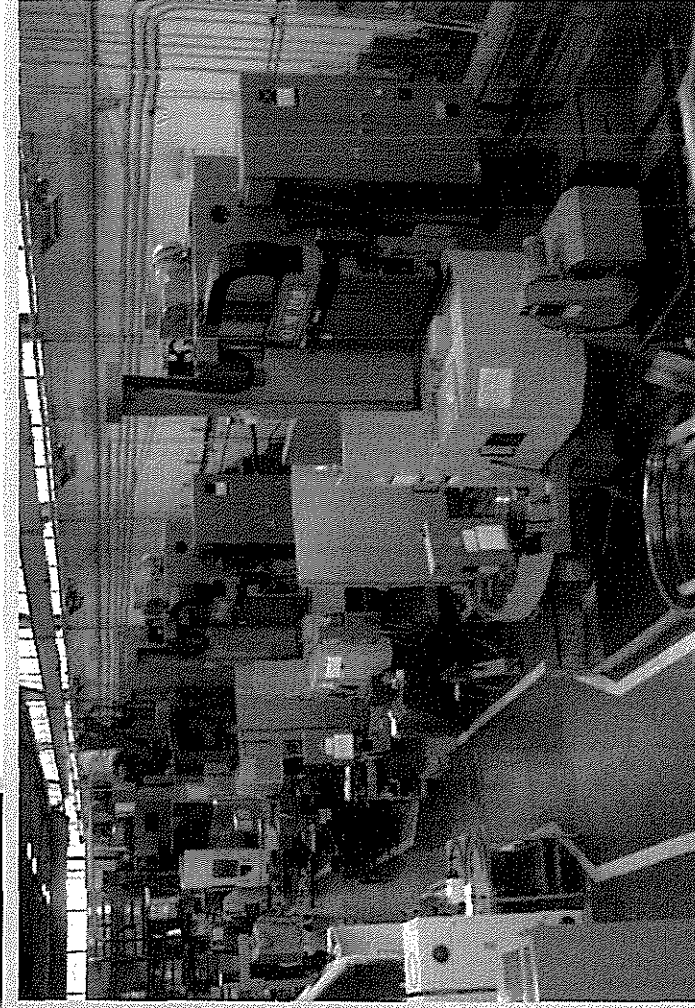
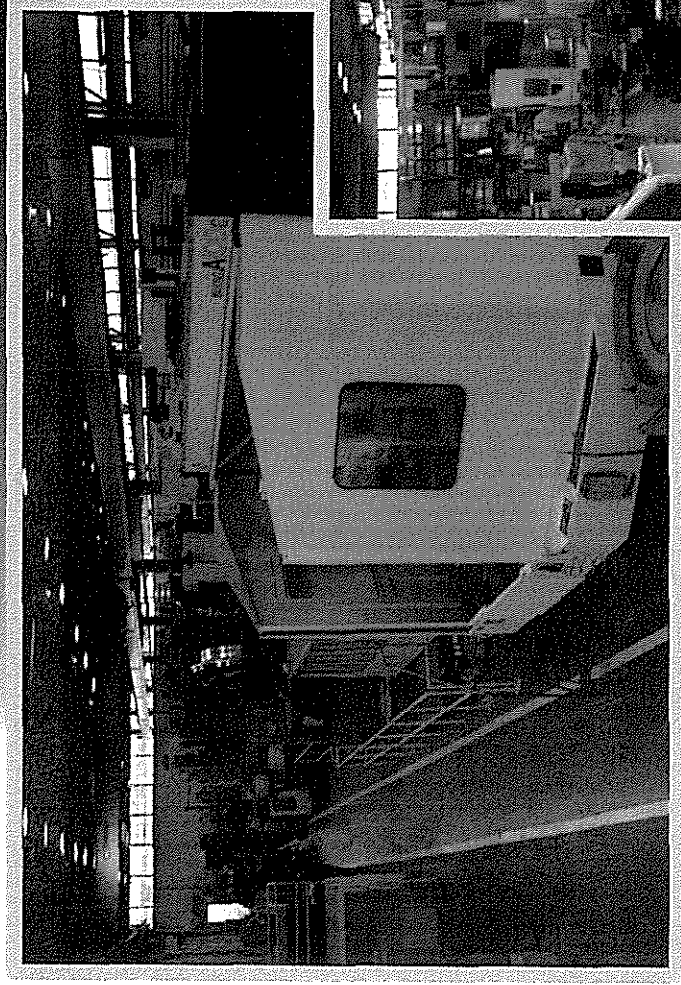
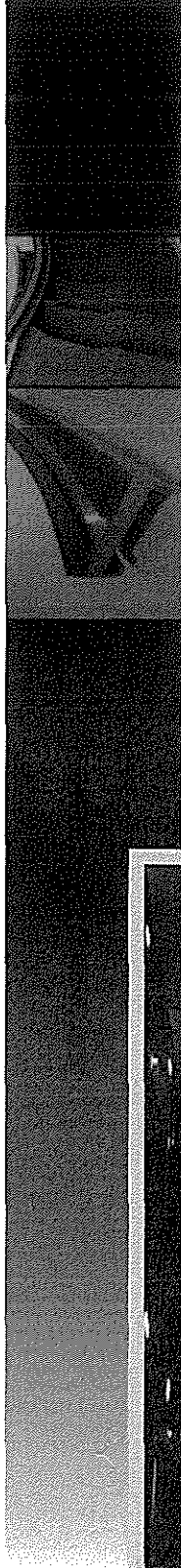






KK Precision

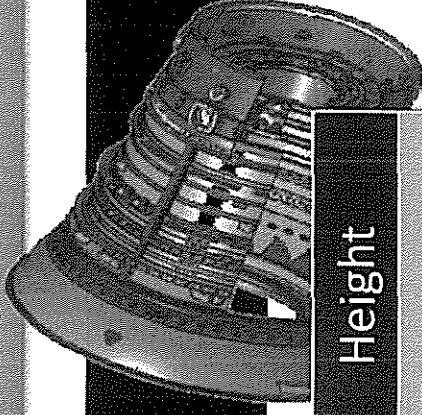
Production Equipment



KKPrecision

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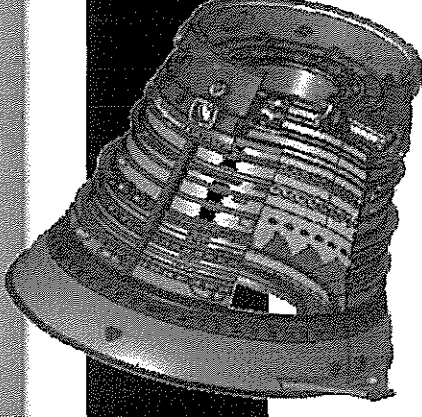
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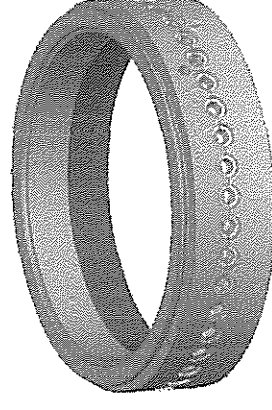
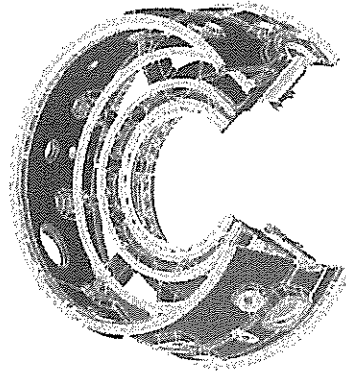
ID	Table	Swing	Height
O-M TMS2-20/40N	98.4" (2.5m)	118" (3m) nominal Up to 157" (4m) available	60" (1.5m)
King Century	90" (2.3m)	96" (2.44m)	60" (1.5m)
Cincinnati Century	95" (2.4m)	102" (2.6m)	60" (1.5m)
O-M Neo 16	63" (1.6m)	78.75" (2m)	59" (1.5m)
O-M Neo 20	78.75" (2m)	94.5" (2.4m)	59" (1.5m)
Toshiba TUE-20	78.75" (2m)	90.5" (2.3m)	59" (1.5m)
Toshiba TUE-20	78.75" (2m)	90.5" (2.3m)	59" (1.5m)
G&L 60	70.75" (1.8m)	74.75 (1.9m)	38" (1m)
TOS SKJ20	78.75" (2m)	70" (1.8m) Twin Rams	38" (1m)

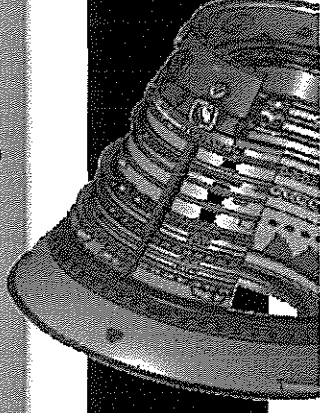






ID	Swing	Turning Length
Dainichi M152	60" (1.5m)	157.5" (4m)
Mori Seiki NL2000 Turn Mill	14.4" (0.36m)	20" (0.51m)
Fortuna CG/Int/Ext	22" (0.56m)	32" (0.8m)

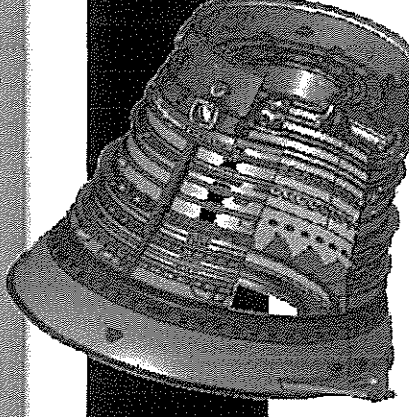




ID	Axes	X	Y	Z	W	B (Table)	C (Swing)
DMG DMU 160P	5	63" (2.5m)	49.2" (1.9m)	43.3" (1.7m)		59.1"x49.2"x 360° (2.3m x1.9m x360°)	
SNK NB130P HBM	6	138" (3.5m)	98.4" (2.5m)	63" (1.6m)	27.5" (0.7m)	87"x 63"x360° (2.2m x 1.6m x360°)	Ø94"x 360° (2.4m x 360°)
Toshiba R16 HMB	6	78.7" (2m)	59" (1.5m)	59" (1.5m)	19" (0.48m)	63"x 55"x360° (1.6m x 1.4m x360°)	Ø84"x 360° (2.1m x 360°)
Toshiba R22 HBM	5	118" (3m)	90.5" (2.3m)	63" (1.6m)	29" (0.74m)	87"x 71"x360° (2.2m x 1.8m x360°)	
Makino A100 HMC	5	67" (1.7m)	53" (1.35m)	55" (1.4m)		39.5"x 39.5"x360° (1m x1m x 360°)	Ø47"x360° (1.2mx360°)
Toshiba BMC 80 HMC	5	63" (1.6m)	44" (1.12m)	40" (1m)		31.5"x 31.5"x360° (0.8mx0.8mx360°)	Ø60"x360° (1.52mx360°)
Fadal 88 VMC	4	30" (0.76m)	30" (0.76m)	30" (0.76m)			Ø15" x 360° (0.38 x360°)







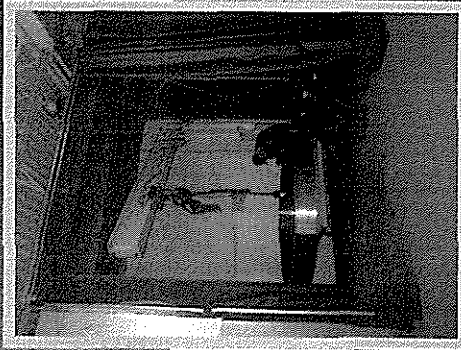
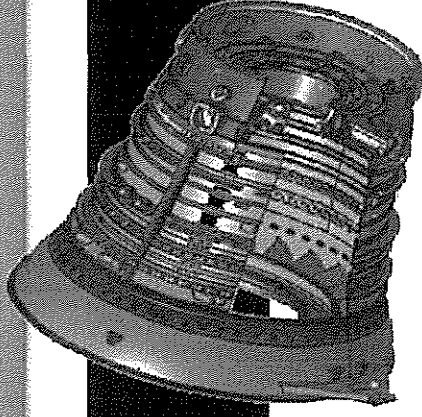
ID		Features
Hydra-Mech V-18 Vertical Band Saw		18" (0.46m) throat, vertical and angular cut
	Hard Finishing Lathe	Swing 16" (0.4m) for super-finishing bearing lands
Assembly & Test		Dedicated assembly area's to support specific Gas Turbine assemblies and modules
Clean Room		Clean Room for assembly and test of flight fuel shut off valves and similar components requiring controlled environments





**KK Precision**

**Non-Destructive Testing**



## MPI

KK Precision's MPI system is based on a high performance Magnaflux™ unit that permits the inspection of components up to 120" (3m) in overall size. A custom designed enclosure allows us to examine components under black light conditions.

## LPI

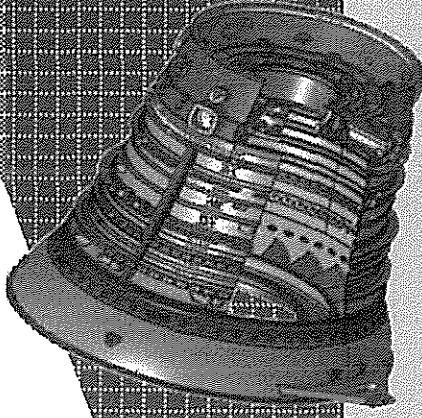
KK Precision's LPI equipment and materials enables us to inspect components to high sensitivity levels. We are able to process components up to 24" (0.61m) by 30" (0.76m) by 48" (1.2m) and up to 500 pounds (227kg)



**KK Precision**

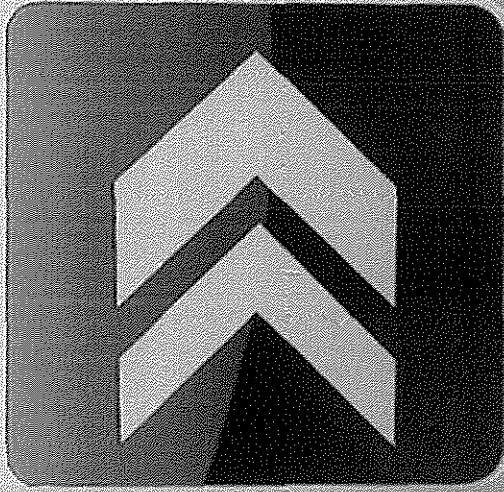
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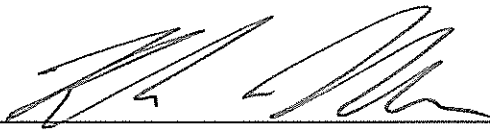
KK Precision Inc.  
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[www.kkprecision.com](http://www.kkprecision.com)



**TAB B**

Exhibit “**B**” to the Affidavit of Garth Wheldon, sworn  
before me this 24<sup>th</sup> day of June, 2014.



---

Commissioner for Taking Affidavits, etc.

**Christopher Blake Moran**

## **ACCOMMODATION AGREEMENT**

**THIS AGREEMENT** is made as of the 24<sup>th</sup> day of June, 2014.

**B E T W E E N:**

**SIEMENS ENERGY INC.**  
(hereinafter called the “**Customer**”)

**OF THE FIRST PART**

– and –

**KK PRECISION INC.**  
(hereinafter called “**KKP**”)

**OF THE SECOND PART**

– and –

**BANK OF MONTREAL**  
(hereinafter called the “**Senior Lender**”)

**OF THE THIRD PART**

– and –

**BANK OF MONTREAL**  
doing business as **BMO CAPITAL PARTNERS**  
(hereinafter called the “**Subordinate Lender**” and,  
together with the Senior Lender, the “**Lenders**”)

**OF THE FOURTH PART**

## RECITALS:

**WHEREAS** on May 30, 2014 (the **"Filing Date"**) The Honourable Mr. Justice Wilton-Siegel of the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) issued an Order (the **"Initial Order"**) affording KKP Precision Inc. (**"KKP"** or the **"Company"**) protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the **"CCAA"**) to permit an orderly wind-down or sale of its business pursuant to the CCAA (the **"CCAA Proceedings"**), and appointed Richter Advisory Group Inc. as the monitor (in such capacity, the **"Monitor"**) in the CCAA Proceedings;

**AND WHEREAS** KKP manufactures Component Parts (as defined below) for the Customer using, among other things, tooling owned by KKP (the **"KKP Tooling"**) and tooling owned by the Customer (the **"Customer-Owned Tooling"**);

**AND WHEREAS** the Company currently plans to wind-down its production operations over the next seventy (70) days, providing certain key customers with supply through August 30, 2014 (the **"Period"**) on a limited basis and in accordance with agreed upon terms;

**AND WHEREAS** KKP shall continue the supply of Component Parts during the Term (as defined below) and other material in accordance with the pricing and production schedules (which include timing of delivery) set out on **Schedules "B", "C", and "D"** to this Agreement, or as it may be amended in writing by mutual agreement of the parties;

**AND WHEREAS**, subject to the terms of this Agreement, the Customer has agreed to provide certain financial and other accommodations to KKP, and KKP and the Lenders have agreed to provide certain accommodations to the Customer in order to continue the supply and/or return of certain Component Parts, WIP Parts, Raw Materials, and Customer-Owned Tooling, during the Term (all as defined below);

**NOW THEREFORE**, based on the foregoing Recitals, the mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereto agree as follows:

1. **Term.** The term of this Agreement will commence upon the date the Court has issued an Order in KKP's CCAA Proceedings (the **"Effective Date"**) approving this Agreement and will continue for seventy (70) days after the Effective Date (the **"Initial Term"**). Subject to the availability of the premises located at 104 Oakdale Road, Toronto, Ontario, Canada (the **"Premises"**), the parties may, upon written agreement among them, extend the term hereof (the **"Extension Term"**), on the conditions that (i) the Customer has not caused an Event of Default that is continuing beyond the cure period provided under this Agreement; and (ii) all amounts owing by the Customer to KKP in accordance with Section 2(c) of this Agreement have been paid in accordance with Section 2(c) of this Agreement. For the purposes of this Agreement, **"Term"** shall mean the date beginning on the Effective Date and ending on the earlier of:
  - (a) termination of this Agreement pursuant to Section 8;
  - (b) if the Initial Term is not extended, the date that falls seventy (70) days after the Effective Date; or

- (c) if the Extension Term is exercised, the date agreed to for same.

2. **Customer Accommodations.**

- (a) **Re-Sourcing.** The Customer shall be fully entitled to take whatever actions it deems necessary, in its sole discretion, to resource any or all of the Component Parts (as defined in Section 2(c)(ii) below), WIP Parts (as defined in Section 2(c)(iii) below), and/or Sub-Tier Supplier Parts (as defined in Section 2(c)(iv) below). Nothing herein shall in any way limit or restrict the Customer from taking such internal steps to prepare or plan to resource any Component Parts, WIP Parts, Raw Materials, and/or Sub-Tier Supplier Parts.
- (b) **Acknowledgment of Existing Accounts Receivables Obligations.** The Customer acknowledges and agrees that as at the date of this Agreement, the Customer is indebted to KKP in the amounts identified in **Schedule "A"** hereto (the "**Existing Accounts Receivable**").
- (c) **Payments and Pricing.** The Customer shall make the following payments to KKP by bank draft or wire transfer, in accordance with the following terms:

**Existing Accounts Receivable (Schedule "A")**

- (i) on the fifth (5<sup>th</sup>) business day following the approval of this fully executed Agreement by the Court, payment to KKP in the amount of the Existing Accounts Receivable as reflected in **Schedule "A"** of this Agreement;

**Component Parts (Schedule "B")**

- (ii) Subject to Section 2(c)(iv) hereof, KKP will complete the manufacturing of certain component parts (the "**Component Parts**" and each individually, a "**Component Part**") and supply such parts to the Customer in accordance with **Schedule "B"** to this Agreement. Each Component Part will be supplied to the Customer by KKP at [REDACTED]

for each Component Part detailed in the Customer's production schedule, as detailed on **Schedule "B"** to this Agreement. This premium to be paid by the Customer will cover the costs of certain overtime pay that will be required to be paid to staff to fulfill the production schedule needed to meet KKP's production commitments hereunder and the professional costs associated with the CCAA Proceedings without any obligation upon the Customer to adjust such firm and fixed pricing to cover any possible shortfalls in this regard. Payment shall be made to KKP by the Customer within five (5) business days of delivery to the Customer of the Component Parts and Customer receipt of the corresponding invoice(s) from KKP;



### **WIP Parts (Schedule "C")**

- (iii) At the request of the Customer, and subject to Section 2(c)(iv) hereof, certain component parts will not be manufactured further by KKP, and will be delivered to the Customer at their current level of completion (the **"WIP Parts"**), as set out on **Schedule "C"** to this Agreement. The Customer will purchase from KKP the WIP Parts as reflected in **Schedule "C"** of this Agreement at [REDACTED] of such Part, as detailed in **Schedule "C"** to this Agreement. Payment shall be made to KKP by the Customer within five (5) business days of delivery to the Customer of the WIP Parts and Customer receipt of the corresponding invoice(s) from KKP;

### **Sub-Tier Supplier Parts (Schedule "D")**

- (iv) Certain Component Parts, WIP Parts, and Raw Materials are in the possession of subcontractors (each, a **"Sub-Tier Supplier"**) to this Agreement (the **"Sub-Tier Supplier Parts"**), as detailed in **Schedule "D"** to this Agreement. The Customer will not hold KKP liable to the extent KKP is unable to fulfil any of its obligations in sub-paragraph 2(c)(ii) and 2(c)(iii) above because of a refusal of the subcontractors and/or any Sub-Tier Supplier to return the components, parts, or inventory, or a failure to cooperate. For clarity, KKP and the Customer further agree as follows in respect of the treatment of payments in respect of the Sub-Tier Supplier Parts:
- (A) In the event payments of any KKP pre-filing accounts payable are required to secure the cooperation of any such third parties (the **"Hold-up Payments"**), all payments are the sole responsibility of the Customer provided the Customer elects to pay them in exchange for the Sub-Tier Supplier Part(s) and such payments shall be made by the Customer solely for Sub-Tier Supplier Parts specifically manufactured and improved by KKP for the Customer;
- (B) In the event the Customer deems certain Sub-Tier Supplier Parts to no longer be required, the Customer (1) is not required to purchase such Sub-Tier Supplier Parts; (2) is not required to make payment to KKP or the Sub-Tier Supplier for (a) the applicable Sub-Tier Supplier Parts, and (b) KKP's pre-filing accounts payable in respect of such Sub-Tier Supplier Parts; and (3) the Customer shall not be liable for such payment and is under no obligation whatsoever to make payment for same to KKP or the applicable Sub-Tier Supplier(s);
- (C) Where payments for certain Sub-Tier Supplier Parts have been made by the Customer directly to the applicable Sub-Tier Supplier, KKP shall, upon the request of the Customer, provide written direction to the Sub-Tier Supplier directing them to provide the

applicable Sub-Tier Supplier Parts, including but not limited to Component Parts, WIP Parts, Raw Materials, and other Customer property in the possession of the applicable Sub-Tier Supplier(s), as applicable, directly to the Customer; and

- (D) In the event the Customer makes payment directly to a Sub-Tier Supplier for any Sub-Tier Supplier Part or Sub-Tier Supplier Parts (as applicable), and provides KKP with proof of such payment, KKP further agrees that (1) the Customer shall not be required to pay KKP for such Sub-Tier Supplier Part or Sub-Tier Supplier Parts (as applicable), (2) such amount, save and except Hold-Up Payments, shall be deducted from any amount the Customer is required to pay KKP under this Agreement, (3) in the event necessary, KKP will provide a direction and release to the Sub-Tier Supplier directing the applicable Sub-Tier Supplier to provide the applicable Sub-Tier Supplier Parts and other Customer property in the possession of the applicable Sub-Tier Supplier directly to the Customer; and (4) the Customer shall not be required to make payment of KKP's pre-filing payables to the applicable Sub-Tier Supplier(s) in the event the Sub-Tier Supplier agrees and any payment made by the Customer shall be on the terms agreed to by the Customer and the applicable Sub-Tier Supplier.

(d) **Limitations on Set Offs.**

- (i) Except for Allowed Setoffs and Material Setoffs (as each such term is defined below), the Customer agrees, in respect of KKP only:
  - (A) to suspend and not assert any defenses, rights or claims for setoff, recoupment or deductions of any nature or kind, including claims for special or consequential damages; and
  - (B) to make all payments owing to KKP at the time same are first due in accordance with this Agreement. This limitation of setoffs shall be effective as to
    - (1) all accounts existing as at the Effective Date or arising thereafter (whether due or to become due) and owing to KKP by the Customer, including, without limitation, all payments required by Section 2(c) hereof; and
    - (2) any other amounts owing or that arise under this Agreement.
- (ii) All obligations of the Customer to make payments to KKP in accordance with this Agreement and the limitation on setoffs as contained in this Section 2(d), shall survive any or all of the termination of this Agreement, the expiry of the Term and the occurrence of an Event of Default.

(iii) For purposes of this Agreement:

(A) **“Allowed Setoffs”** means setoffs, recoupments, or deductions only for: (1) defective or non-conforming Component Parts; (2) Component Parts that fail to meet contracted quality standards; (3) unordered or unreleased Component Parts returned by the Customer to KKP; (4) short shipments or mis-shipments; (5) premium freight charges (other than those for which the Customer’s action or inaction, as the case may be, caused the incurrence of premium freight); or (6) incorrect or improper invoices, mispricing, duplicate payments or billing errors.

(B) **“Material Setoffs”** means:

- (1) the out-of-pocket costs or obligations (including all freight and brokers’ costs) incurred by the Customer for materials or components (not tooling) or services purchased by the Customer, from persons other than KKP, or supplied and sold by the Customer to KKP (as necessary to avoid an interruption in the Customer’s production) to be used in connection with the production of Component Parts by KKP for the Customer and which would have been purchased or ought to have been purchased by KKP but for a vendor’s refusal to sell to KKP; or
- (2) direct payment(s) by the Customer to material vendors for the purchase of materials or components (not tooling) used by KKP in connection with the production of Component Parts by KKP for the Customer (as necessary to avoid an interruption in the Customer’s production) which would have been purchased or ought to have been purchased by KKP but for a vendor’s refusal to sell to KKP,

in each case provided that:

- (3) the Customer obtains the prior written consent of KKP and the Monitor (not to be unreasonably withheld or delayed) to the Customer making any such purchases or payments, which prior written consent shall be deemed to have been given after five (5) business days after written notice to KKP and the Monitor if either fails to respond during that time period; and
- (4) written notice of the materials or services and the amount paid to a vendor or purchased by KKP from the Customer, as applicable, for such materials and services, together with proof that such payment or purchase (the **“Direct Payment Notice”**), has been received by KKP within five (5) business days after each such purchase or payment.

For greater certainty, there shall be no set off allowed whatsoever for the cost or expense that the Customer incurs or may incur in connection with the completion of WIP Parts or Component Parts after they have been delivered to the Customer in accordance with the requirements to this Agreement.

For further certainty, in no case shall the Customer charge any mark up above its cost on any amount that it pays to any vendor of services or materials that it supplies to KKP, directly or indirectly, for the production of Component Parts.

- (e) **Raw Material Supply.** If KKP and the Customer agree that it is most economical to do so in order to mitigate demands for Hold-up Payments, the Customer shall purchase raw materials used in the production of the Component Parts (the “**Raw Materials**”) that KKP would otherwise, in the normal course, be responsible to supply and deliver, or arrange for delivery, of the same to KKP.
- (f) **Sales Tax.** The Customer will be liable for any Harmonized Sales Tax (“**HST**”) in connection with this Agreement which is chargeable to a buyer of goods or services. KKP will add such taxes to its invoices to the Customer unless the Customer provided to KKP the proper documentation supporting the non-application of the taxes.

### 3. **KKP Obligations.**

- (a) **Continue to Manufacture.** Provided that the Customer has not caused an Event of Default that is continuing beyond the cure period provided under this Agreement, KKP undertakes throughout the Term, to manufacture and deliver Component Parts in accordance with the terms of this Agreement, (as the same may have been amended, supplemented or replaced, by any specified designs, statements of work, specifications and technical drawings as required to meet the Customer’s production requirements detailed in the Schedules to this Agreement). KKP agrees to notify the Customer of any threat or threats to continued timely shipment of Component Parts promptly after learning of such threat or threats. KKP will not be responsible for any delays in production or shipments resulting from any delay on the part of the Customer to respond to and resolve technical or quality issues.
- (b) **Timely Production and Delivery.** KKP undertakes to deliver the Component Parts, WIP Parts, Raw Materials, Sub-Tier Supplier Parts, and Customer-Owned Tooling in accordance with the timelines for delivery (subject to the continued availability of appropriate production personnel) set out in this Agreement and as more particularly set out in **Schedules “B”, “C”, “D”, and “E”** of this Agreement.
- (c) **Title.** Title to the Component Parts, WIP Parts, Raw Materials, and/or Sub-Tier Supplier Parts shall pass to the Customer upon payment by the Customer for the applicable Component Parts, WIP Parts, Raw Materials, and/or Sub-Tier Supplier Parts.

- (d) **Access.** KKP agrees that the Customer shall have reasonable access, during regular business hours, to the Premises as they relate to the Component Parts for the purposes of:
- (i) inspecting all Customer-Owned Tooling (as defined below) involved with production of Component Parts;
  - (ii) monitoring and assisting with production of Component Parts;
  - (iii) inspecting current production and manufacturing processes;
  - (iv) meeting with KKP's representatives;
  - (v) inspecting and monitoring the removal of the Component Parts, the WIP Parts, the Raw Materials, and the Customer-Owned Tooling (defined below); and
  - (vi) monitoring KKP's compliance with the terms of this Agreement.
- (e) **Production Capacity.** KKP undertakes to fill the Customer's production requirements detailed in the Schedules to this Agreement. The Customer shall accept and pay for any Component Parts produced in accordance with the production requirements detailed in the Schedules to this Agreement and delivered by KKP in compliance with this Agreement.
4. **Tooling Acknowledgement.** The Customer, KKP, and the Lenders hereby acknowledge, confirm, and agree that:
- (a) Title to the Tooling described in **Schedule "E"** (the "**Customer-Owned Tooling**") rests with the Customer and the Customer-Owned Tooling is wholly owned by the Customer. The Customer-Owned Tooling is not and was never property of KKP. No security interest or charge in any fashion whatsoever in favour of KKP, the Lenders, or Monitor attaches to the Customer-Owned Tooling. Provided that the Customer has made the payments in respect of Existing Accounts Receivable required hereunder and the Customer is otherwise fully compliant with its obligations pursuant to this Agreement, the Customer shall be entitled to remove any Customer-Owned Tooling upon five (5) days written notice to the Company;
  - (b) KKP will not make or pay for any repairs, corrections, or replacements and will not be liable for any damage to such components, inventory, or tooling. The description of the Component Parts, WIP Parts, Sub-Tier Supplier Parts, Customer-Owned Tooling and Surplus Tooling (as defined below) is for the purpose of identification only and no representation or warranty or condition has been or will be given by KKP concerning the completeness or accuracy of such descriptions;
  - (c) Provided the Customer has made the payments required pursuant to all arrangements, including without limitation, this Agreement involving the Customer and KKP, the Customer shall be entitled at any time after the date

hereof to remove, in accordance with the provisions of this Agreement, any surplus Customer-Owned Tooling not necessary for KKP to meet its obligations under this Agreement (collectively, the “**Surplus Tooling**”);

- (d) After the end of the Period, the Customer shall have the right to take possession of the Customer-Owned Tooling in accordance with the provisions of this Agreement, subject to the Customer-Owned Tooling being left in the possession of KKP for the Period of this Agreement if required for the purposes of production of the Component Parts;
- (e) Any Removal of Customer-Owned Tooling by the Customer under this Section 4 shall be:
  - (i) on reasonable notice; and
  - (ii) accomplished without damage to KKP’s equipment or the Premises;
- (f) KKP hereby agrees to cooperate with the Customer in its taking possession of Customer-Owned Tooling in accordance with this Agreement and shall grant the Customer and its nominees(s) reasonable access to the premises of KKP to take possession of any and all Customer-Owned Tooling, provided, however, that Customer shall not unduly interfere with KKP’s ongoing operations when removing Customer-Owned Tooling; and
- (g) For purposes of the immediately preceding clause, the term “**reasonable access**” shall mean the Customer shall have access to the premises at any time Monday through Friday inclusive (and on Saturday, during any operating hours).

## 5. **Lender Accommodations.**

- (a) **Forbearance.** The Lenders hereby covenant and agree:
  - (i) that they will forbear from enforcing their rights and remedies during the Term provided that (A) the Accommodation Agreement between KKP and Rolls Royce Canada Limited, among others (the “**Rolls Royce Accommodation Agreement**”) has not been terminated and remains in full force and effect, and (B) the Customer has not caused an Event of Default that is continuing beyond the cure period provided under this Agreement or that no other Event of Default has occurred. The Lenders’ agreement to forbear from the exercise of their rights and remedies shall end upon notification of an Event of Default or after expiry of the applicable cure period to the extent that the Customer has not remedied the Event of Default, unless the Termination of the Agreement is waived in writing by the Lenders; and
  - (ii) subject to Section 5(a)(i), to allow the terms, conditions, and accommodations of this Agreement to be fully performed by the parties hereto.

- (b) **Acknowledgement and Consent.** Lender acknowledges, consents to, and agrees, provided that the Rolls Royce Accommodation Agreement has not been terminated and remains in full force and effect, that the exercise of any rights and remedies it may have are subject to all applicable terms of this Agreement and further agrees to cooperate with Customer and the Monitor in effectuating Customer's rights under this Agreement.
- (c) **Maintenance of Supply in Event of Receivership or Bankruptcy.** In the event a Receiver and/or Trustee in Bankruptcy is appointed in respect of KKP and/or its assets, the Lenders hereby covenant and agree, to work cooperatively with the Receiver, and/or Trustee in Bankruptcy (as applicable) to sell to the Customer the Component Parts, WIP Parts, Sub-Tier Supplier Parts, Customer-Owned Tooling, and Surplus Tooling at their fair market value.

6. **Condition Precedent.**

- (a) This Agreement shall become effective on the date when the following condition has been satisfied or waived by the Customer:
  - (i) the Court issuing an Order in the CCAA Proceedings approving this Agreement and the transactions contemplated herein.

7. **"As is where is".** The Customer acknowledges and agrees that KKP is selling or transferring (as the case may be) the right, title and interest in all Component Parts, WIP Parts, Sub-Tier Supplier Parts, Customer-Owned Tooling, and Surplus Tooling on an 'as is where is' basis. KKP will not make or pay for any repairs, corrections, or replacements and will not be liable for any damage to such components, inventory, or tooling. The Customer further acknowledges and agrees that it has entered into this Agreement on the basis that it has conducted such inspections of the condition of and title to the components, inventory, or tooling as the Customer deems appropriate and has satisfied itself with regard to such matters. No representation or warranty or condition is expressed or can be implied to title, encumbrances, description, fitness or purpose, merchantability, condition, quantity, or quality or in respect of any other matter or thing whatsoever concerning the components, inventory, or tooling or the right of KKP to sell or assign same save and except as expressly represented or warranted in this Agreement. The description of the Component Parts, WIP Parts, Sub-Tier Supplier Parts, Customer-Owned Tooling, and Surplus Tooling is for the purpose of identification only and no representation or warranty or condition has been or will be given by KKP concerning the completeness or accuracy of such descriptions.

8. **Termination.** For purposes of this Agreement, the term **"Event of Default"** means any of the following:

- (a) a failure by KKP to supply the Customer with Usable and Merchantable (defined below) Component Parts in accordance with the production schedule set out in **Schedule "B"**, measured on a weekly basis commencing with the second (2<sup>nd</sup>) week after the Effective Date, subject to a cumulative twenty-five percent (25%) negative variance based on the prices detailed on **Schedule "B"**. For the purposes of this Agreement, (A) the term **"Merchantable"** means Component Parts and

Raw Materials that can: (1) pass without objection in the trade under the contract description; (2) in the cases of fungible goods, are of good and merchantable quality within the description; (3) are fit for the ordinary purposes for which goods of that description are used; (4) run, within the variations permitted by the applicable agreement, of even kind, quality, and quantity within each unit and among all units involved; (5) are adequately contained, packaged, and labelled consistent with packaging and labelling that was previously acceptable to the Customer; (6) conform to the promise or affirmations of fact made on the container or label, if any; and (B) the term “Usable” means Component Parts and Raw Materials that are not obsolete in the production of the Component Part; and the determination of whether Component Parts and Raw Materials are Usable and Merchantable will be determined at ongoing inventory counts to be conducted by the Customer and KKP;

- (b) a material breach by KKP of any of its obligations contained in this Agreement and such breach is not remedied within three (3) business days of notice of same provided by the Customer to KKP;
- (c) a material breach by the Customer of any of its obligations contained in this Agreement and such breach is not remedied within five (5) business days of notice of same provided by KKP to the Customer during which cure period the Customer shall remedy the Event of Default or put in place a Recovery & Corrective Plan (RCP) subject to KKP’s approval, which shall not be unreasonably withheld, this RCP will include actions taken to remedy the Event of Default by implementing corrective measures working toward specific recovery date(s). If the Customer fails to receive KKP approval of an RCP or to meet the terms and conditions of the relevant RCP, KKP will notify the Customer of its intent to invoke termination pursuant to Section 8 below without any additional delay.

## 9. Remedies.

- (a) Upon the occurrence of any Event of Default caused by the Customer and continuing beyond the cure period or, subject to the restrictions in Section 8 of this Agreement, any Event of Default caused by KKP, or the expiry of the Term, the Lender shall be entitled to: (i) terminate this Agreement; and (ii) exercise all of its rights and remedies under its loan and security agreements, at law or in equity;
- (b) Upon the occurrence of an Event of Default, other than under Subsection 8(c), or upon expiry of the Term, the Customer shall be entitled to terminate this Agreement;
- (c) Upon an Event of Default under Subsection 8(c) continuing beyond the cure period or upon expiry of the Term, KKP shall be entitled to terminate this Agreement; and



(d) The remedies in this Section 9 arising upon an occurrence of an Event of Default are not exclusive and are in addition to, and not in substitution for, the rights and remedies available to the parties as against each other.

10. **No Liability.** Notwithstanding anything in this Agreement, the Customer shall not assume and shall not in any manner become responsible or liable for any liabilities of KKP to any person (including employees and independent contractors of KKP), whether known or unknown, fixed, contingent, or otherwise, including, without limitation, any debt obligations, sureties, positive or negative covenants, or other liabilities.
11. **Confidentiality.** Unless otherwise agreed by the parties, each of the parties agree that they will not disseminate, disclose, or communicate, either directly or indirectly, any of the information contained in this Agreement to any outside party other than its employees and professional advisors who need to know such information, provided that such outside party is subject to this same confidentiality provision. The parties will, in good faith, take all steps necessary to ensure that the contents of this Agreement are kept secret and confidential. In that regard, the Schedules to this Agreement shall be put before the Court on a sealed and confidential basis and KKP shall make a request for a sealing Order in respect of the Schedules to this Agreement. Further, KKP and the Customer hereby agree and undertake to maintain the confidentiality of the percentages for payment outlined in Section 2 of this Agreement and such percentages shall be redacted by KKP from any version of this Agreement put before the Court for approval.
12. **Drawings, Blueprints, and Plans.** KKP hereby undertakes and agrees to maintain the confidentiality of and to not reproduce or provide to a third party, in any manner or form whatsoever, any and all information which the Customer deems to be proprietary of confidential, which includes but is not limited to drawings, plans, blueprints, manuals, etc., whether stored in paper, electronic form, or otherwise (collectively, the “**Information**”) in relation to the production, fabrication, and/or improvement of the Component Parts. KKP further undertakes and agrees that upon the expiration or termination of this Agreement, or upon receipt of a written request from the Customer, KKP shall return the Information to the Customer, or certify to the Customer KKP’s destruction of the Information received under this Agreement or otherwise in relation to the production, fabrication, and improvement of the Component Parts, WIP Parts, Raw Materials, and Customer-Owned Tooling, within fifteen (15) days from such termination, expiration, or request.
13. **Notice.**

Any notice or other instrument to be given hereunder shall be in writing and, except as otherwise provided in this Agreement, shall be deemed to be duly given if, delivered by hand on a business day or sent by facsimile or emailed PDF on a business day to the party to whom such communication is intended to be given and any notice so delivered or sent shall be deemed to have been duly given at the time of delivery or faxing on the business day on which it was so delivered by hand or sent by facsimile or email. Until changed by notice in the manner described above, the addresses of the parties for the purpose of notice shall be:

If to the Customer:

**SIEMENS ENERGY INC.**  
4400 Alafaya Trail, MC: Q2-480  
Orlando, FL 32826  
**Attention: John Ha**  
Email: [john.ha@siemens.com](mailto:john.ha@siemens.com)

with a copy to:

**GOWLING LAFLEUR HENDERSON LLP**  
Suite 1600, 100 King Street West  
Toronto, Ontario, M5X 1G5  
Canada  
**Attention: Frank Lamie**  
Fax: (416) 862-7661  
Email: [frank.lamie@gowlings.com](mailto:frank.lamie@gowlings.com)

If to KKP:

**KK PRECISION INC.**  
104 Oakdale Road  
Toronto, Ontario M3N 1V9  
Canada  
**Attention: George Koulakian, President**  
Email: [georgek@kkprecision.com](mailto:georgek@kkprecision.com)

with a copy to the Monitor and a copy to:

**DENTONS CANADA LLP**  
77 King Street West, Suite 400  
Toronto, Ontario M5K 0A1  
Canada  
**Attention: John Salmas**  
Fax: 416.868.0673  
Email: [john.salmas@dentons.com](mailto:john.salmas@dentons.com)

If to the Monitor:

**RICHTER ADVISORY GROUP INC.,**  
in its capacity as Monitor of  
KK Precision Inc.  
1981, McGill College  
Montreal, Quebec H3A 0G6  
Canada  
**Attention: Eric Barbieri**  
Fax: 514.934.3408  
Email: [ebarbieri@richter.ca](mailto:ebarbieri@richter.ca)

If to the Lender:

**BANK OF MONTREAL**  
First Canadian Place, 7th Floor  
Toronto, Ontario M5X 1A1  
Canada

**Attention: Robert Kiefer**  
Fax: 416.643.1653  
Email: [robert.kiefer@bmo.com](mailto:robert.kiefer@bmo.com)

with a copy to:

**AIRD & BERLIS LLP**  
181 Bay St, Suite 1800  
Toronto, Ontario M5J 2T9  
Canada  
**Attention: Steven Graff**  
Fax: 416 863-1515  
Email: [sgraff@airdberlis.com](mailto:sgraff@airdberlis.com) / [ianaversa@airdberlis.com](mailto:ianaversa@airdberlis.com)

14. **CCAA Proceedings.** Provided that the Rolls Royce Accommodation Agreement has not been terminated and remains in full force and effect, KKP agrees to seek to obtain extensions of the stay of proceedings afforded to it under its CCAA Proceedings so that the stay of proceedings does not expire until KKP has fulfilled its obligations to the Customer under this Agreement.
15. **Agreement Approval.** KKP agrees to bring a motion seeking Court approval of this Agreement. For greater certainty, if Court approval of this Agreement is not obtained, such event shall be considered an Event of Default pursuant to this Agreement.
16. **General Terms.**
  - (a) This Agreement, together with the other documents executed in connection herewith, constitutes the entire understanding of the parties in connection with the subject matter hereof. This Agreement may not be modified, altered or amended except by an agreement in writing signed by all parties.
  - (b) The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation or entity that they represent and that their signatures bind said corporations or entities to the terms of this Agreement.
  - (c) KKP and the Lenders hereby agree that they shall not assign or transfer, directly or indirectly, any of their respective rights or obligations under this Agreement without the prior written consent of the Customer.
  - (d) Should any provision of this Agreement be held invalid or unable, the remainder of this Agreement will not be affected thereby.
  - (e) No delay or failure of the Customer to exercise any right, power or privilege hereunder will affect such right, power or privilege, nor will any single or partial exercise thereof preclude any further exercise thereof, nor the exercise of any other right power or privilege.

- (f) The parties acknowledge that they have been given the opportunity to consult with counsel of their choice before executing this Agreement and are doing so without duress, intimidation, or coercion and without reliance upon any representations, warranties, or commitments other than those representations, warranties, or commitments set forth in this Agreement.
- (g) This Agreement is made in the Province of Ontario and shall be governed by, and construed and enforced in accordance with the laws of the Province of Ontario, without regards to conflicts of law principles. The parties hereto attorn to the non-exclusive jurisdiction of the Court and agree that any dispute hereunder shall be adjudicated by the Ontario Superior Court of Justice (Commercial List).
- (h) This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and taken together shall constitute but one and the same instrument. The parties agree that their respective signatures may be delivered by facsimile or emailed PDF, and that facsimile or PDF signatures shall be treated as originals for all purposes.

**IN WITNESS WHEREOF** the undersigned have executed this Agreement effective this 24<sup>th</sup> day of June, 2014.

**SIEMENS ENERGY INC.**

By: \_\_\_\_\_

Name:

Title:

Duly authorized officer

**KK PRECISION INC.**

By: \_\_\_\_\_

Name:

Title:

Duly authorized officer

**BANK OF MONTREAL**

By: \_\_\_\_\_

Name:

Title:

Duly authorized officer

**BANK OF MONTREAL**

doing business as **BMO CAPITAL PARTNERS**

By: \_\_\_\_\_

Name:

Title:

Duly authorized officer

**SCHEDULES TO BE  
FILED  
SEPERATELY**

**TAB C**

Exhibit "C" to the Affidavit of Garth Wheldon, sworn  
before me this 24<sup>th</sup> day of June, 2014.

A handwritten signature in black ink, appearing to read "CB Moran", is written over a horizontal line.

Commissioner for Taking Affidavits, etc.

**Christopher Blake Moran**



George Koulakian, President  
KK Precision Inc.  
104 Oakdale Road  
Toronto, ON M3N 1V9

June 19, 2014

c/o Mr. Darren Bicknell, Supply Management Unit Director

Pratt & Whitney Canada Corp.  
1000, Rue-Victorin (O1NH1)  
Longueuil, Quebec J4G 1A1

Re: Agreement further to KK Precision filing for protection pursuant to the *Companies' Creditors Arrangement Act*

Dear Sirs,

On May 30, 2014 (the "Filing Date") the Ontario Superior Court of Justice (Commercial List) granted an order (the "Initial Order") affording KK Precision Inc. ("KKP" or the "Company") protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA Proceedings") and appointed Richter Advisory Group Inc. as monitor in the CCAA Proceedings. This letter agreement (the "Agreement") outlines the terms between KKP and Pratt & Whitney Canada Corp. ("Customer") relative to the supply of finished goods parts and raw material components during the period extending from this date to August 30, 2014 (the "Period"), as follows:

1. The Customer acknowledges and agrees that as at the date of this Agreement, the Customer is indebted to KKP in the amounts identified in Schedule "A" hereto (the "Existing Accounts Receivable"). Upon execution of this Agreement, Customer shall issue to KKP payment in full of the amount of the Existing Accounts Receivable, as long as payment has not already been made prior the date hereof;
2. The Company acknowledges having in its possession designs, drawings, prints and other information identified in Schedule "F" hereto (the "Drawings") which are the sole property of the Customer. Upon execution of this Agreement, the Company will remit to the Customer the Drawings;
3. The Company acknowledges having in its possession some Customer-owned inventory as detailed in Schedule "D" hereto (the "Pratt & Whitney-owned Inventory") and some tooling identified in Schedule "E" hereto (the "Tooling") which are the sole property of the Customer. Upon request of the Customer, the Company will remit to the Customer the Tooling;
4. KKP will complete the manufacturing of certain component parts (the "Component Parts") and supply such parts to Customer in accordance with Schedule "B" to this letter agreement. Each component part will be supplied to the Customer by KKP at [REDACTED] for that component part, as detailed on Schedule [REDACTED]

"B" to this letter agreement. Payment terms shall be Cash-on-Delivery; in furtherance of the foregoing, KKP agrees that, upon reasonable prior notice, the Customer and its designee(s) (including any third-party prospective suppliers that the Customer may designate as possible replacements for KKP), agent(s), and representative(s) shall have reasonable access, during regular business hours, to KKP's operations and premises as they relate to the business of KKP with the Customer:

5. The Customer will purchase from KKP the raw material components (the "Raw Material Components") reflected in Schedule "C" of this Agreement at [REDACTED] as set out in Schedule "C". Payment terms shall be Cash-on-Delivery.
6. At the request of Customer, KKP shall sell to specified Customer approved contractors, Raw Material Components at [REDACTED]
7. Upon delivery of any Components, KKP shall provide the certificate of conformity as required by Customer in accordance with the terms and conditions of the Long Term Purchase Agreement between KKP and Customer dated 18 September 2002 as amended (the "LTPA");
8. Certain Component Parts and Raw Material Components may be in the possession of subcontractors as identified in Schedules "C". Neither Party will hold the other Party liable to the extent KKP is unable to fulfil any of its obligations in paragraphs 4, 5 or 6 above because of a refusal of the subcontractors (for reasons not due to KKP) to return the components, parts or inventory, or a failure to cooperate, provided KKP will have used reasonable and diligent efforts to obtain said component, parts and inventory from subcontractors. If payment of any KKP pre-filing accounts payable to subcontractors are required to secure the cooperation of any such third parties, the Customer reserves the right, without any obligations to do so, to make payment thereof to such subcontractors, in which case such payment shall be the sole responsibility of the Customer.
9. The Customer acknowledges and agrees that KKP is selling or transferring, as the case may be, the right, title and interest in all Component Parts and/or Raw Materials Components as well as Pratt & Whitney-owned Inventory, on an 'as is where is' basis. Absent KKP's negligence or wilful misconduct, KKP will not make or pay for any repairs, corrections or replacements and will not be liable for any damage to such components, inventory or tooling after delivery to Customer. Absent KKP's negligence or wilful misconduct, no representation or warranty or condition is expressed or can be implied to title, encumbrances, description, fitness or purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the components, inventory or tooling or the right of KKP to sell or assign same save and except as expressly represented or warranted in this Agreement. The description of the Component Parts, Raw Materials Components and Pratt & Whitney-owned Inventory, is for the purpose of identification only and no representation or warranty or condition has been or will be given by KKP concerning the completeness or accuracy of such descriptions;
10. Notwithstanding paragraph 10 above, KKP is selling or transferring (as the case may be) the right, title and interest in all Component Parts, Raw Materials Components, Pratt &

Whitney-owned inventory free and clear of all rights, including all security interests, charges, hypothecs, trusts, deemed trusts, liens, assignments, judgments, seizures or claims;

11. As long as the KKP is not in breach of this Agreement, the Customer agrees to suspend and not assert any defenses, rights or claims for set-off, recoupment or deductions of any nature or kind; and to make all payments owing to KKP at the time same are first due in accordance with the LTPA between the parties or in accordance with this Agreement. This limitation of set-offs shall be effective as to all accounts existing as at the Filing Date or arising thereafter (whether due or to become due) and owing to KKP by the Customer;
12. All obligations of the Customer to make payments to KKP in accordance with this Agreement and the limitation on set-offs shall survive any or all of the termination of this Agreement or the expiry of the Period;
13. The Customer will be liable for any Canadian Federal Goods and Services Tax ("GST") and Harmonized Sales Tax ("HST") as applicable which is chargeable to a buyer of goods or services. KKP will add such taxes to its invoices to Customer unless the Customer provides to KKP the proper documentation supporting the non-application of the taxes;
14. The parties acknowledge being bound by the terms and conditions of the LTPA, it being understood however that only the following provisions (which the parties re-affirm) shall apply during the CCAA Proceedings, with the other terms and conditions being in abeyance during said period: Sections 1, 2, 3.1, 3.2, 3.6 (it being understood that KKP shall not be liable for delivery delays caused by labour shortages), 3.7, 3.8, 4.4, 5.2, 6.1 (except as modified herein), 6.9 (excluding the reference to value engineering), 9, 10, 11, 12.3, 15 (it being understood that the Customer waives its right to terminate the LTPA and this Agreement on the sole basis of the issuance of the Initial Order and relating CCAA Proceedings), 17, 18, and 22; in addition, the parties agree that no inspection, approval, training, assistance or advice by the Customer shall affect, limit, modify or otherwise release or discharge, to any extent, KKP's responsibilities for the Component Parts provided within KKP's scope of work under the LTPA, as modified by this Agreement (it being understood that this clause shall not limit in any way the effect of the first sentence of section 9);
15. This Agreement, together with the other documents executed in connection herewith, constitutes the entire understanding of the parties in connection with the subject matter hereof. This Agreement may not be modified, altered, assigned or amended except by an agreement in writing signed by the parties;
16. The parties executing this Agreement as representatives warrant that they have the power and authority to execute this Agreement on behalf of the corporation or entity that they represent and that their signatures bind said corporations or entities to the terms of this Agreement, and that such Agreement does not conflict with (or constitute, by notice and/or lapse of time, a default under) any agreement to which said corporation or entity has entered into as a result of the CCAA Proceedings;

17. Should any provision of this Agreement be held invalid or unenforceable, the remainder of this Agreement will not be affected thereby;
18. This Agreement is made in the Province of Quebec and shall be governed by, and construed and enforced in accordance with the laws of the Province of Quebec, without regards to conflicts of law principles. The parties hereto attorn to the non-exclusive jurisdiction of the Court and agree that any dispute hereunder shall be adjudicated by such;

This Agreement may be executed in any number of duplicate originals or counterparts, each of such duplicate originals or counterparts shall be deemed to be an original and taken together shall constitute but one and the same instrument. The parties agree that their respective signatures may be delivered by facsimile or emailed PDF, and that facsimile or PDF signatures shall be treated as originals for all purposes.

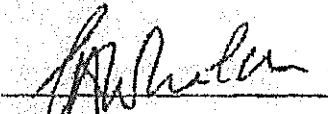
IN WITNESS WHEREOF the undersigned have executed this letter agreement effective this 19th day of June, 2014.

KK PRECISION INC.

By:

Name:

Title:

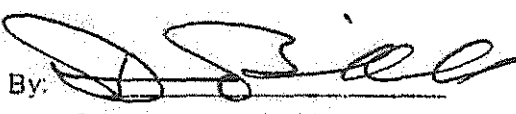
  
GARTH R. WHEELER  
INTERIM VICE PRESIDENT  
ON BEHALF OF  
GEORGE KULLAKIAN  
PRESIDENT.

PRATT & WHITNEY CANADA CORP.

By:

Name:

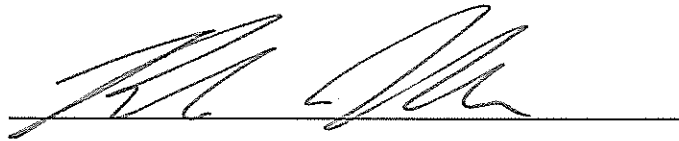
Title:

  
DARREN BICKNELL  
Executive Director  
Global Supply Management

**SCHEDULES TO BE  
FILED  
SEPERATELY**

**TAB D**

Exhibit “D” to the Affidavit of Garth Wheldon, sworn  
before me this 24<sup>th</sup> day of June, 2014.

A handwritten signature in black ink, appearing to read 'CB Moran', is written over a horizontal line.

Commissioner for Taking Affidavits, etc.

**Christopher Blake Moran**

Projected Weekly Cash Flow - Excluding Sale of Fixed and Intangible Assets																				TOTAL
(5000's)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	
Week ending	16-May	23-May	30-May	06-Jun	13-Jun	20-Jun	27-Jun	04-Jul	11-Jul	18-Jul	25-Jul	01-Aug	08-Aug	15-Aug	22-Aug	29-Aug	05-Sep	12-Sep	19-Sep	
<b>Cash receipts</b>																				
Collection of Opening WIP	\$ 750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750
Progress Payments on Production	-	285	285	285	285	285	285	285	285	285	285	285	285	285	-	-	-	-	-	3,706
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	145
<b>Total Receipts</b>	<b>750</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,601</b>
<b>Cash disbursements</b>																				
Overhead Payments	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(5)	(5)	(5)	(5)	(5)	(5)	(225)
Materials costs	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	-	-	-	-	-	-	(150)
Subcontractor costs	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	-	-	-	-	-	-	(500)
Payroll & Benefits	(173)	-	(131)	-	(131)	-	(131)	-	(126)	-	(125)	-	(125)	-	(125)	-	(35)	-	(5)	(1,108)
Rent & Property Taxes	(250)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(250)
Utilities	(20)	-	-	(20)	-	-	-	(20)	-	-	-	(20)	-	-	-	(20)	-	-	-	(100)
Insurance	-	-	(6)	-	-	-	-	(18)	-	-	-	-	(6)	-	-	(6)	-	-	-	(36)
Site Remediation Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(75)	-	-	-	-	(75)
Restructuring Fees	(220)	(50)	(55)	(20)	(55)	(15)	(55)	(17)	(20)	(15)	(20)	(14)	(10)	(19)	(10)	-	-	-	-	(630)
Other / Contingency	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(300)
<b>Total Disbursements</b>	<b>(743)</b>	<b>(131)</b>	<b>(273)</b>	<b>(121)</b>	<b>(267)</b>	<b>(96)</b>	<b>(267)</b>	<b>(136)</b>	<b>(227)</b>	<b>(96)</b>	<b>(226)</b>	<b>(121)</b>	<b>(216)</b>	<b>(40)</b>	<b>(231)</b>	<b>(47)</b>	<b>(56)</b>	<b>(21)</b>	<b>(26)</b>	<b>(3,373)</b>
<b>Net Cash flow from Wind Down Operations</b>	<b>7</b>	<b>154</b>	<b>12</b>	<b>164</b>	<b>19</b>	<b>189</b>	<b>19</b>	<b>150</b>	<b>58</b>	<b>189</b>	<b>59</b>	<b>164</b>	<b>69</b>	<b>245</b>	<b>(231)</b>	<b>(47)</b>	<b>(56)</b>	<b>(21)</b>	<b>119</b>	<b>1,228</b>
<b>Other cash receipts</b>																				
Collection of Opening A/R	1,225	-	144	18	25	3	1	10	93	3	17	5	38	-	-	-	-	-	-	1,582
Disbursements funded by Rolls Royce	60	25	-	-	25	-	51	25	-	-	25	-	-	-	300	-	-	-	-	512
Cost Reimbursement Relative to Cancelled Or	167	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	167
	<b>1,452</b>	<b>25</b>	<b>144</b>	<b>18</b>	<b>50</b>	<b>3</b>	<b>52</b>	<b>35</b>	<b>93</b>	<b>3</b>	<b>42</b>	<b>5</b>	<b>38</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,261</b>
<b>Sale of assets</b>																				
Tooling related to Rolls Royce Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	50
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	50
<b>Disbursements funded by Rolls Royce</b>																				
Retention Payments	(50)	-	-	-	-	-	(51)	-	-	-	-	-	-	-	(222)	-	-	-	-	(323)
Vacation Payments	(10)	-	-	-	-	-	-	-	-	-	-	-	-	-	(79)	-	-	-	-	(89)
Pre-petition Trade A/P Payments	-	(25)	-	-	(25)	-	-	(25)	-	-	(25)	-	-	-	-	-	-	-	-	(100)
	<b>(60)</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>(51)</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(300)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(512)</b>
<b>Other cash disbursements</b>																				
WEPPA Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25)	-	-	-	-	(25)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25)	-	-	-	-	(25)
<b>Net Cash flow</b>	<b>1,399</b>	<b>154</b>	<b>157</b>	<b>183</b>	<b>43</b>	<b>193</b>	<b>20</b>	<b>159</b>	<b>151</b>	<b>192</b>	<b>75</b>	<b>170</b>	<b>107</b>	<b>245</b>	<b>(206)</b>	<b>(47)</b>	<b>(56)</b>	<b>(21)</b>	<b>119</b>	<b>3,002</b>
<b>Cash - opening</b>	<b>-</b>	<b>1,399</b>	<b>1,553</b>	<b>1,710</b>	<b>1,893</b>	<b>1,936</b>	<b>2,128</b>	<b>2,148</b>	<b>2,308</b>	<b>2,458</b>	<b>2,650</b>	<b>2,726</b>	<b>2,896</b>	<b>3,003</b>	<b>3,248</b>	<b>3,042</b>	<b>2,995</b>	<b>2,939</b>	<b>2,918</b>	<b>3,002</b>
<b>Cash - closing</b>	<b>1,399</b>	<b>1,553</b>	<b>1,710</b>	<b>1,893</b>	<b>1,936</b>	<b>2,128</b>	<b>2,148</b>	<b>2,308</b>	<b>2,458</b>	<b>2,650</b>	<b>2,726</b>	<b>2,896</b>	<b>3,003</b>	<b>3,248</b>	<b>3,042</b>	<b>2,995</b>	<b>2,939</b>	<b>2,918</b>	<b>3,002</b>	<b>3,002</b>



# TAB E

Exhibit "E" to the Affidavit of Garth Wheldon, sworn  
before me this 24<sup>th</sup> day of June, 2014.



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Commissioner for Taking Affidavits, etc.

**Christopher Blake Moran**



MINDEN GROSS LLP  
BARRISTERS & SOLICITORS  
145 KING STREET WEST, SUITE 2200  
TORONTO, ON, CANADA M5H 4G2  
TEL 416.362.3711 FAX 416.864.9223  
www.mindengross.com

DIRECT DIAL (416) 369-4148  
E-MAIL dullmann@mindengross.com  
FILE NUMBER 4090023

June 19, 2014

*VIA E-MAIL (john.salmas@dentons.com)*

Mr. John Salmas  
**Dentons LLP**  
77 King Street West  
Suite 400  
Toronto, Ontario  
M5K 0A1

Dear Sir:

**Re: KK Precision Inc.**

As you are aware, we are counsel to 2215225 Ontario Inc., the landlord of the premises occupied by KK Precision Inc. (the “**Company**”) being 104 Oakdale Road, Toronto, Ontario (the “**Premises**”).

We have been provided with a copy of the Company’s mailing dated June 16, 2014 (attached) under which the Company is soliciting offers to liquidate the assets on the Premises. We note that under your sales process all offers are due by July 7, 2014 and that all parties submitting an offer must confirm that they are prepared to have all assets removed by September 30, 2014.

We appreciate you making it clear to the potential purchasers that they must be out of the Premises by September 30, 2014. We wish to clarify that in addition to being out of the Premises by September 30, 2014, they must also, or the Company must also, have complied with all the provisions of the lease with respect to the careful removal of the assets and repair of the Premises. We are advised by our client that it is not realistic to expect parties to remove assets on September 30, 2014 and also comply with the lease.



Therefore, we would suggest that the correct date for assets to be removed from the Premises would at least be 15 days before September 30, 2014.

Secondly, we would also advise you that our client has been approached by several auctioneers who have indicated that they do not believe that they will be able to make a bid to remove the assets by September 30, 2014. Our client is also of the view that your proposal timeline is likely unrealistic.

We are writing this letter to confirm that the Company has no right to continue to occupy the Premises beyond September 30, 2014 and that we expect the Company and any auctioneer hired in accordance with the Company's sales process to abide by that deadline. At this time, our client is not prepared to enter into any deal for the extension of this timeline as it has other uses for the Premises which are now scheduled to commence on October 1, 2014.

Yours truly,

**MINDEN GROSS LLP**

Per:

A handwritten signature in black ink, appearing to be "D. T. Ullmann", written over a horizontal line.

David T. Ullmann

DTU/nh



June 16, 2014

## KK Precision Inc. ("KKP" or the "Company") – Request for Offer to Purchase Assets

Dear Sirs:

On May 30, 2014, KKP obtained an order (the "**Initial Order**") of the Ontario Superior Court of Justice (Commercial List), pursuant to the Companies' Creditors Arrangement Act (the "CCAA"). Richter Advisory Group Inc. (the "**Monitor**") was appointed as Monitor of the Company during its CCAA proceedings.

Located in Toronto, Ontario, KKP manufactures medium-to-large, highly complex gas turbine engine components and sub-assemblies used in the energy, marine and defence sectors.

At this time, the Company is pursuing an orderly wind-down of its operations, and will be continuing production activities until August 31, 2014, at the latest, pursuant to the terms of an Accommodation Agreement approved in the Initial Order.

KKP, in consultation with the Monitor, is soliciting offers to purchase the Company's production assets (as detailed in the attached machinery and equipment listing), or alternatively in respect to the business on a going concern basis, as appropriate (the "**Sale Process**"). The Monitor will be involved in all aspects of the Sales Process to ensure that the marketing process is reasonable and that prospective interested parties have the ability to make an offer for the Company's assets.

Prior to the Company's CCAA proceedings, certain interested parties submitted offers to KKP to purchase its machinery and equipment (the "**Initial Offers**"). Parties that submitted Initial Offers, which they want the Company to consider as part of the Sales Process, are required to confirm the terms of their Initial Offer in writing to the Company and the Monitor. Parties that submitted Initial Offers are, however, permitted to amend their offer in accordance with the procedures set out herein. Initial Offers, which are not confirmed in writing to the Company and Monitor, will not be considered.

Offers to purchase the Company's assets are required to be submitted on or before **5:00 p.m. EST, Monday, July 7, 2014**. With respect to KKP's machinery and equipment, only en bloc offers will be considered. Offers must include the following items:

- 1) the price to be paid and the form of consideration;
- 2) the assets to be purchased (other than machinery and equipment detailed in the attached listing, which must be included en bloc, as part of any qualified offer);
- 3) conditions precedent; and
- 4) any other material terms to the offer.

Please note that the successful offeror will be required to remove all purchased assets from the Company's facility located at 104 Oakdale Road, Toronto, Ontario by no later than **September 30, 2014**.

Parties interested in viewing and inspecting the Company's machinery and equipment should contact Mr. Garth Wheldon at 416-742-5911 or [gwheldon@kkprecision.com](mailto:gwheldon@kkprecision.com) to schedule an appointment to attend at the Company's premises.



104 Oakdale Road  
Toronto, Ontario,  
Canada M3N 1V9  
Tel: (416) 742-5921  
Fax: (416) 742-5166  
[www.kkprecision.com](http://www.kkprecision.com)

All offers will be reviewed by the Company, in consultation with the Monitor, and subject to the Company's and/or the Monitor's discretion, additional clarifications and negotiations may be required.

The Company reserves the right to negotiate with one or more interested parties at any time and to enter into a definitive agreement without notice to any other interested party. The Company and the Monitor reserve the right not to pursue a transaction of the nature contemplated hereby and to terminate, at any time, in their sole discretion, further participation in the investigation process by any interested party and to modify any data, documentation or other procedures, as may be necessary, without giving any reason therefor.

The acceptability of any offer received is to be determined by the Company in consultation with the Monitor. The Sales Process contemplates that the Company is not required to accept the highest, best or any offer received. In the event that an offer is acceptable, the successful offeror will be provided with a template asset purchase agreement which will form the basis of the transaction. Please note that any sale of the Company and/or its assets will be subject to the approval of the Ontario Superior Court of Justice (Commercial List), which approval will be sought by KKP prior to the end of July 2014.

All inquiries regarding the Company and/or the Sales Process, including any requests for additional information or to submit offers to purchase the Company's assets, should be directed to the following individuals:

KK Precision Inc.  
Garth Wheldon  
416-742-5911  
[gwheldon@kkprecision.com](mailto:gwheldon@kkprecision.com)

Richter Advisory Group Inc.  
Adam Sherman  
416-642-4836  
[asherman@richter.ca](mailto:asherman@richter.ca)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KK PRECISION INC.

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**AFFIDAVIT OF GARTH  
WHELDON**  
(Sworn June 24, 2014)

**DENTONS CANADA LLP**  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1

John Salmas  
LSUC No: 42336B  
Tel: (416) 863-4374  
Fax: (416) 863-4592  
Email: [john.salmas@dentons.com](mailto:john.salmas@dentons.com)

Robert J. Kennedy  
LSUC No: 474070  
Tel: (416) 367-6756  
Fax: (416) 863-4592  
Email: [robert.kennedy@dentons.com](mailto:robert.kennedy@dentons.com)

*Solicitors for the Applicant*

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF KK PRECISION INC.

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**MOTION RECORD  
(returnable June 25, 2014)**

**DENTONS CANADA LLP**

77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1

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