

**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

**APPLICATION RECORD
(Volume 2 of 2)**

May 29, 2014

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TAB NO.

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| 1 | Notice of Application, issued on May 29, 2014 |
| A | Draft Initial Order |
| B | Draft Initial Order blacklined against the Model Order |
| 2 | Affidavit of George Koulakian, sworn May 28, 2014, and exhibits: |
| A | Copy of Applicant's corporate profile report; |
| B | Copy of the Applicant's audited financial statements for the year ended September 30, 2012 and internal statements for the year ended September 30, 2013 (unaudited) and 6 months ended March 31, 2014 (unaudited); |
| C | 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; |
| D | Copy of the credit agreement made among Bank of Montreal (" BMO ") and the Applicant dated September 1, 2011, as amended by an amending agreement made among BMO and the Applicant dated January 31, 2013; |
| E | Copy of the credit agreement made among BMO dba BMO Capital Partners (the " Subordinate Lender ") and the Applicant dated September 1, 2011, as amended by an amending agreement made among the Subordinate Lender and the Applicant dated January 31, 2013 |

- F** Security for the credit facilities provided in Exhibits D and E consisting of:
- (a) a General Security and Pledge Agreement dated September 1, 2011, in favour of BMO;
 - (b) Bank Act Security Notice of Intention dated September 2, 2011 (and related documentation), in favour of BMO;
 - (c) an Assignment of Material Agreements dated September 1, 2011, in favour of BMO;
 - (d) a General Security and Pledge Agreement dated September 1, 2011, in favour of the Subordinate Lender; and
 - (e) an Assignment of Material Agreements dated September 1, 2011, in favour of the Subordinate Lender (without exhibits);
- G** Copy of the *Personal Property Security Act* (Ontario) search results for the Applicant, file currency of May 5, 2014;
- H** Letter Agreement dated May 23, 2014 between 104 Oakdale Acquisition Corp. and the Applicant;
- I** Copy of the Demand and Notice of Intention to Enforce Security pursuant to subsection 244(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended;
- J** Copy of the Consent to Act;
- K** Copy of the Accommodation Agreement dated May 26, 2014 (schedules subject to a sealing order sought by the Applicant, and filed separately); and
- L** Copy of the Advisory Agreement dated May 23, 2014.

TAB F

Exhibit "F" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.

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

Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

GENERAL SECURITY AND PLEDGE AGREEMENT

THIS AGREEMENT executed as of the 1st day of September, 2011

BY:

KKP ACQUISITION CORP.

a corporation incorporated under the laws of Ontario

(the "**Borrower**")

IN FAVOUR OF:

BANK OF MONTREAL

a Canadian chartered bank

(the "**Bank**")

THIS AGREEMENT WITNESSES that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Borrower, the Borrower hereby agrees as follows:

Definitions and Interpretation

1. In this agreement, all capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement, and the following words shall, unless otherwise provided, have the meanings set out below:

"**Collateral**" means all present and future property, assets and undertaking of the Borrower pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;

"**Contractual Right**" means any agreement, right, franchise, licence, authorization, approval, equipment lease or sublease, privilege or permit (a) to which the Borrower is now or hereafter becomes a party, (b) in which the Borrower now or hereafter has any interest or (c) of which the Borrower is or hereafter becomes a beneficiary;

"**Control**" shall have the meaning ascribed to it in the STA;

"**Credit Agreement**" means the credit agreement dated as of the date hereof between the Borrower, as borrower and the Bank, as lender, as such agreement may be amended, supplemented, otherwise modified, restated or replaced from time to time;

"Intellectual Property" means trademarks, trademark rights, service marks, service mark rights, business names, business name rights, trade styles, other business identifiers, trade names, trade name rights, copyrights, patents, patent rights, trade secrets, industrial designs, technology, inventions, know how, internet domain names, licenses, franchises, permits and other intellectual property, including any applications and registrations pertaining thereto and with respect to trademarks, service marks and trade names, the goodwill of the business symbolized thereby and connected with the use thereof;

"Investment Assets" means all present and future Investment Property (as such term is defined in the PPSA) and Financial Assets (as such term is defined in the STA) of the Borrower, including all present and future options and warrants of the Borrower and all other rights and entitlements arising therefrom or related thereto; and the Borrower's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, all substitutions for any of the foregoing and all dividends and income derived therefrom or payable in connection therewith;

"Issuer" means an issuer as defined in the STA;

"Money" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"PPSA" means the *Personal Property Security Act* (Ontario), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Proceeds" means identifiable or traceable personal or real property in any form derived directly or indirectly from any dealing with any of the Collateral or the proceeds therefrom;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of, and the security interests in, the Collateral created in favour of the Bank hereunder; and

"STA" means the *Securities Transfer Act, 2006* (Ontario), as amended from time to time and any legislation substituted therefor and any amendments thereto.

2. References such as "this agreement", "hereof", "herein", "hereto" and like references refer to this agreement and any schedules, exhibits or appendices attached hereto (all of which schedules, exhibits and appendices form a part of this agreement) and not to any particular section, subsection, paragraph or other subdivision of this agreement.
3. The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
4. Terms used herein which are defined in the PPSA or the STA, as applicable, shall have the same meanings herein as are ascribed to such terms in the PPSA or the STA, as applicable, unless such terms are otherwise defined.

5. The word "Borrower", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
6. Nothing herein (including the definition and use of the term Permitted Liens) is intended or shall be deemed to subordinate the Security Interest to any Permitted Lien or any other Lien affecting all or any portion of the Collateral.
7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
8. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
9. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Bank or is to be acceptable to the Bank, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Bank, which means the Bank shall have sole and unfettered discretion, without any obligation to act reasonably. If any provision in this agreement refers to any action taken or to be taken by the Borrower, or which the Borrower is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
10. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario, provided that nothing herein shall prevent the Bank from proceeding at its election against the Borrower in the courts of any other province, country or jurisdiction.

Grant of Security Interest

11. As continuing security for the payment and performance of the Obligations, the Borrower hereby pledges, assigns, mortgages, charges and hypothecates to the Bank and grants to the Bank a security interest in the following:
 - (a) all present and future equipment of the Borrower, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description, and all accessions to any of the foregoing, including all spare

parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the foregoing;

- (b) all present and future inventory of the Borrower, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
- (c) all present and future intangibles of the Borrower, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
- (d) all present and future documents of title, chattel paper, instruments and money of the Borrower;
- (e) all present and future Investment Assets including the Investment Assets set out on Schedule "A" hereto;
- (f) all substitutions or exchanges from time to time in respect of any of the foregoing Investment Assets;
- (g) all dividends, distributions and other income (whether in the form of Money, Investment Assets or any other property) derived from or in respect of any of the foregoing Investment Assets or payable in connection therewith and all monies and property received or receivable in the nature of the return or repayment of capital in respect thereof;
- (h) all present and future real property, personal property, assets, and undertaking of the Borrower of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Borrower or in which the Borrower at any time has any right or interest or to which the Borrower is or may at any time become entitled (other than the property, assets and undertaking of the Borrower validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 11(a), 11(b), 11(c), 11(d), 11(e), 11(f) or 11(g) hereof and subject to the exceptions hereinafter contained); and
- (i) all Proceeds derived directly or indirectly from any dealing with any of the foregoing, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

Limited Exceptions to Grant of Security Interest

12. Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Borrower, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Borrower shall stand possessed of the reversion of one day remaining in the Borrower in respect of any such term, for

the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.

13. Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Borrower shall hold its interest in each such Contractual Right in trust for the Bank and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Bank, or as the Bank may otherwise direct. The Borrower agrees that it shall, upon the request of the Bank, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

Attachment

14. The Borrower confirms and agrees that:
 - (a) value has been given by the Bank to the Borrower;
 - (b) the Borrower has rights in all existing Collateral and power to transfer rights in the Collateral to the Bank; and
 - (c) the Borrower and the Bank have not postponed the time for attachment of the Security Interest and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Borrower hereafter acquires rights at the time that the Borrower acquires rights in such Collateral.

Provisions with respect to Investment Assets

15. Whenever any Investment Assets is a certificated security, an uncertificated security or a security entitlement, the Borrower shall, or shall cause the issuer of such Investment Assets to, or shall cause the securities intermediary that holds such Investment Assets to, take all steps as are necessary to give exclusive control over such Investment Assets to the Bank in a manner satisfactory to the Bank.
16. All certificates representing Investment Assets may remain registered in the name of the Borrower, but the Borrower shall, promptly at the request of the Bank, duly endorse such certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Bank; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Bank. Upon the request of the Bank:
 - (a) the Borrower shall promptly cause the Investment Assets to be registered in the name of the Bank or its nominee, and the Bank is hereby appointed the irrevocable attorney (coupled with an interest) of the Borrower with full power of substitution to cause any or all of the Investment Assets to be registered in the name of the Bank or its nominee;

- (b) the Borrower shall promptly cause each securities intermediary that holds any Investment Assets that is a security entitlement to record the Bank as the entitlement holder of such Investment Assets; and
- (c) the Borrower shall promptly:
 - (i) cause a security certificate to be issued for any Investment Assets that is in the form of an uncertificated security or a security entitlement;
 - (ii) endorse such security certificate in blank;
 - (iii) deliver such security certificate to the Bank; and
 - (iv) take all other steps necessary to give exclusive control over such certificated security to the Bank,

in a manner satisfactory to the Bank.

17. Until the occurrence of an Event of Default and further notice is given by the Bank to the Borrower terminating such rights of the Borrower, the Borrower shall be entitled to exercise all voting rights attached to the Investment Assets and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Bank or which would have the effect of reducing the value of the Investment Assets as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Assets. All such rights of the Borrower to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Borrower of such notice by the Bank.
18. All dividends, distributions, interest and other income in respect of Investment Assets and all proceeds received by the Borrower in respect of Investment Assets may be received by the Borrower in the ordinary course and distributed in the ordinary course to the Borrower's shareholder or shareholders until the occurrence of an Event of Default and further notice by the Bank. Upon the occurrence of an Event of Default and receipt by the Borrower of such notice, the Borrower shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Borrower after the Borrower receives such notice by the Bank, the Borrower shall hold such amounts in trust, as trustee for the Bank, and the Borrower shall forthwith pay such amounts to the Bank, to be applied to reduce the Obligations or, at the option of the Bank, to be held as additional security for the Obligations.
19. The responsibility of the Bank in respect of any Investment Assets held by the Bank shall be limited to exercising the same degree of care which it gives valuable property of the Bank at the Bank's office where such Investment Assets is held. The Bank shall not be bound under any circumstances to realize on any Investment Assets or allow any Investment Assets to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Assets or by the retention or other refusal to sell the same; nor shall the Bank be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 18, all such interest and dividends, if and when received by the Borrower, shall be held by the Borrower in trust for the Bank and shall be forthwith paid to the Bank.

Representations and Warranties of the Borrower

20. The Borrower hereby represents and warrants to the Bank that:

- (a) the Borrower has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
- (b) the execution and delivery of this agreement and the performance by the Borrower of its obligations hereunder have been duly authorized by all necessary proceedings;
- (c) this agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
- (d) except for the Security Interest and any Permitted Liens, the Collateral is owned by the Borrower free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
- (e) the chief executive office of the Borrower is located at the address listed in Part I of Schedule "B" of this agreement;
- (f) the Borrower does not keep tangible Collateral at any location(s) except:
 - (i) the location listed in Part I of Schedule "B" hereto, and
 - (ii) any location(s) listed in Part II of Schedule "B" hereto,
 other than tangible Collateral in transit to or from such locations;
- (g) Schedule "A" attached hereto includes a complete list of all Investment Assets including all securities and securities accounts in which the Borrower has rights;
- (h) Schedule "C" attached hereto includes a complete list of all deposit, current and other accounts maintained with any bank, trust company or other financial institution in which the Borrower has rights;
- (i) all Contractual Rights, if any, relating to or affecting the Intellectual Property are in good standing;
- (j) the Borrower owns directly, or is entitled to use by Contractual Right or otherwise, all of the Intellectual Property;
- (k) other than as set out on Schedule "D" attached hereto, no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Borrower in the Intellectual Property; and

- (l) the Borrower possesses all Intellectual Property which are material to the conduct of its businesses as now conducted; and it owns and possesses or has the right to use such Intellectual Property and is not in violation of any valid rights of others with respect thereto.

Covenants of the Borrower

21. The Borrower agrees with the Bank that, until the Obligations have been satisfied and paid in full:

- (a) it will:
 - (i) maintain the tangible Collateral in good condition and repair and allow the Bank or its agent upon reasonable notice access to all premises of the Borrower to inspect any and all Collateral;
 - (ii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trademarks, copyrights and industrial designs included in the Intellectual Property;
 - (iii) defend the Collateral against any actions, claims and demands of any Person (other than the Bank) claiming the Collateral (or any of it) or an interest therein, including without limitation, the duty to prosecute and/or defend against any and all suits concerning validity, infringement, enforceability, ownership or other aspects affecting any of the Intellectual Property (any expenses incurred in protecting, preserving and maintaining any of the Intellectual Property shall be borne by the Borrower);
 - (iv) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Borrower or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Borrower or the Collateral, as and when the same become due and payable;
 - (v) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
 - (vi) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Bank after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Borrower and for the purpose of carrying on such business;
 - (vii) permit the Bank at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor

of the Borrower to make payment to the Bank of any or all amounts owing by the account debtor to the Borrower and the Bank may take control of any proceeds referred to in subsection 11(i) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;

- (viii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (ix) deliver to the Bank, at the Bank's request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Bank may request, all items of the Collateral comprising chattel paper, instruments, Investment Assets and documents of title;
- (x) pay, on demand by the Bank, all costs and expenses (including all legal fees) incurred by the Bank in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Bank's position, or attempting to do so, whether before or after default) and all such costs and expenses shall form part of the Obligations and shall be secured by the Security Interest;
- (xi) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Bank may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Bank, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xii) after the occurrence of an Event of Default, refrain from either directly or indirectly filing any application for registration affecting any of the Intellectual Property without the prior written consent of the Bank;
- (xiii) preserve the Borrower's rights, powers, licences, privileges and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Borrower or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Borrower; and
- (xiv) without limiting the generality of any of the forgoing, perform all covenants required of the Borrower under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Borrower in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and

- (b) it will not, without the prior written consent of the Bank:
 - (i) change its name;
 - (ii) change the location of its chief executive office from that set out in Part I of Schedule "B" hereto without providing the Bank with thirty (30) days' prior written notice thereof;
 - (iii) except as may be permitted in the Credit Agreement, keep tangible Collateral at any location other than the location(s) listed in Parts I and II of Schedule "B" hereto without providing the Bank with thirty (30) days' prior written notice thereof.

Default

22. Without prejudice to any right which the Bank may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Bank, become payable and the Security Interest shall become enforceable upon the occurrence of an Event of Default.

Remedies of the Bank

23. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Bank may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
- (a) entering upon the Collateral and any lands and premises where any Collateral is or may be located;
 - (b) taking possession of Collateral by any method permitted by law;
 - (c) occupying any lands and premises owned or occupied by the Borrower and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
 - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral;
 - (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Borrower, including notifying any person obligated to the Borrower in respect of an account, chattel paper or instrument to make payment to the Bank of all present and future amounts due thereon;
 - (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Bank shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Bank shall be added to the Obligations and shall be secured by the Security Interest;

- (g) collecting any rents, income, and profits received in connection with the business of the Borrower or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Assets (whether or not registered in the name of the Bank or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Assets as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Assets upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Assets, and in connection therewith, to deposit and deliver any such Investment Assets with any committee, depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Assets as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Borrower agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Bank shall not be liable or accountable to the Borrower for any discount in the sale price of any such Investment Assets which may be given by reason of the fact that such Investment Assets are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Borrower or any portion thereof;
- (l) exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- (m) demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Borrower or any other obligation of any third party to the Borrower;
- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Borrower, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;

- (p) appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
 - (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
 - (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Borrower or the Collateral.
24. Any Receiver appointed by the Bank may be any person or persons (including one or more officers or employees of the Bank), and the Bank may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Bank provided in this agreement. The Bank shall not be responsible for the actions, errors or omissions of any Receiver appointed by the Bank and any such Receiver shall be deemed to act as agent for the Borrower for all purposes, including the occupation of any lands and premises of the Borrower and in carrying on the Borrower's business, unless the Bank expressly specifies in writing that the Receiver shall be agent for the Bank for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Borrower or as agent for the Bank as the Bank may specify in writing in its sole discretion. The Borrower agrees to ratify and confirm all actions of any Receiver appointed by the Bank acting as agent for the Borrower, and to release and indemnify the Receiver in respect of all such actions.
25. Without limiting the ability of the Bank or any Receiver to dispose of Collateral in any other manner, the Borrower agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Borrower. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Bank or any Receiver appointed by the Bank may, in its sole discretion, deem advantageous and may take place whether or not the Bank or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Bank.
26. The Bank shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
27. No right, power or remedy of the Bank (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
28. The Borrower agrees to pay to the Bank, forthwith on demand by the Bank, all costs and expenses incurred by the Bank in connection with the exercise by the Bank of its rights, powers and remedies hereunder, including:

- (a) any costs and expenses incurred by the Bank in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
- (b) any legal fees and expenses incurred by the Bank in enforcing its rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
- (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Borrower's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
- (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Bank (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 29. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as provided in the Credit Agreement.
- 30. The Borrower shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

Rights of the Bank

- 31. The Bank may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Bank pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.
- 32. If the Borrower fails to perform or comply with any covenant or other obligation of the Borrower under this agreement, the Bank may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Bank will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Bank incurred in connection with any such performance or compliance shall be payable by the Borrower to the Bank on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.

33. The Borrower grants to the Bank the right to set off against the Obligations (or any portion thereof) any amount owed by the Bank to the Borrower, including the amount of any and all accounts, credits or balances maintained by the Borrower with the Bank.
34. The Bank, without exonerating in whole or in part the Borrower, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Borrower and all other Persons and securities as the Bank may see fit.
35. Nothing herein shall obligate the Bank to extend or amend any credit to the Borrower or to any other Person.
36. The Bank may assign, transfer and deliver to any transferee any of the interests in the Obligations or any security or any documents or instruments held by the Bank in respect thereof in accordance with Section 12.12 of the Credit Agreement. The Borrower shall not assign any of its rights or obligations hereunder without the prior written consent of the Bank.

Amalgamation of Borrower

37. If the Borrower amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:

- (a) the Security Interest shall:

- (i) continue to secure payment of all obligations of the Borrower to the Bank pursuant to or in respect of the Credit Agreement;
- (ii) secure payment of all obligations of each other amalgamating corporation to the Bank pursuant to or in respect of the Credit Agreement; and
- (iii) secure payment of all obligations of the amalgamated corporation to the Bank pursuant to or in respect of the Credit Agreement arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Borrower, the other amalgamating corporations and the amalgamated corporation;

- (b) the Security Interest shall:

- (i) continue to charge all property and assets of the Borrower;
- (ii) charge all property and assets of each other amalgamating corporation; and
- (iii) charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Borrower, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

Notices

- 38. Any notice, demand, consent, approval or other communication to be made or given under or in connection with this agreement shall be in writing and may be made or given and shall be deemed received in the manner provided for in Section 12.07 of the Credit Agreement.

Miscellaneous

- 39. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 40. Time shall be of the essence of this agreement.
- 41. Upon payment and fulfillment by the Borrower, its successors or permitted assigns, of all Obligations and provided that the Bank is then under any obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Borrower or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Bank shall, upon request in writing by the Borrower and at the Borrower's expense, discharge this agreement.
- 42. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Bank and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 43. The Bank may in writing (and not otherwise) waive any default by the Borrower in the observance or performance of any provision of this agreement; provided that no waiver by the Bank shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 44. This agreement shall enure to the benefit of the Bank, its successors and assigns, and shall be binding on the Borrower, its successors and permitted assigns.
- 45. The Borrower agrees that the Bank may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Bank in good faith believes is entitled thereto pursuant to applicable legislation.
- 46. This agreement may be executed in any number of counterparts, all of which when taken together shall constitute one agreement. Any signatory hereto may deliver an executed copy of this agreement by facsimile or electronic mail to the addressee hereto provided that in such

event that party shall promptly deliver to the addressee hereto an originally executed copy of this agreement.

- 47. To the extent that there is any inconsistency between a provision of this agreement and a provision of the Credit Agreement, the said provision in the Credit Agreement shall govern.
- 48. The Borrower acknowledges receipt of an executed copy of this agreement.

IN WITNESS WHEREOF this agreement has been executed by the Borrower as of the date first written above.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF this agreement has been executed by the Borrower as of the date first written above.

KKP ACQUISITION CORP.

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

I/We have authority to bind the corporation.

SCHEDULE "A"

LIST OF SECURITIES AND SECURITIES ACCOUNTS

Securities (At time of Closing):

Registered Owner	Issuer	Certificate Number	Description of Interest	% of Outstanding Interests
N/A	N/A	N/A	N/A	N/A

Securities (Immediately following Closing):

Registered Owner	Issuer	Certificate Number	Description of Interest	% of Outstanding Interests
KKP Acquisition Corp.	Precinda Inc.	N/A	14,540,938 voting common shares	100%
KKP Acquisition Corp.	Precinda Inc.	N/A	5,340,000 Class X Preferred shares	100%

Security Entitlements:

Brokerage Firm	Securities Account No(s)
N/A	N/A

SCHEDULE "B"

Part I

Location of the Borrower's Chief Executive Office

Bay Adelaide Centre, P.O. Box 2900, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4

Part II

Other Location(s) of the Borrower's Tangible Collateral

(a) None

SCHEDULE "C"

LIST OF BANK ACCOUNTS

KKP Acquisition Corp.

<u>Bank/Trust Company</u>	<u>Branch Address</u>	<u>Account No.</u>
Bank of Montreal	100 KING ST. W., P.O. BOX 3, TORONTO, ON M5X1A3	00021638361CAD
Bank of Montreal	100 KING ST. W., P.O. BOX 3, TORONTO, ON M5X1A3	00024628846USD

SCHEDULE "D"

IP LITIGATION

None.

Transit No. 00022

NOTICE OF INTENTION

TO WHOM IT MAY CONCERN:

KK PRECISION INC. of 104 Oakdale Road, Toronto, Ontario, M3N 1V9 hereby gives notice that it is its intention to give security pursuant to Section 427 of the *Bank Act* (Canada) to **BANK OF MONTREAL**, the address of which is 11th Floor, First Canadian Place, Toronto, Ontario, M5X 1A1.

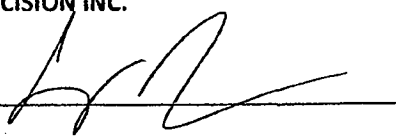
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01267304

NOTICE RECEIVED / PRÉAVIS REÇU	
09 / 02 / 2011	7:07 AM
mm - dd - yyyy	Time
CANADIAN SECURITIES REGISTRATION SYSTEMS	
Authorized Section 427 Bank Act Registrar for Bank of Canada	
Bureau d'enregistrement autorisé de la Banque du Canada conformément à l'article 427 de la Loi sur les banques	
PROVINCE OF ONTARIO	
For / Pour Registrar	<i>R. Conconi</i>

DATED this 2nd day of September, 2011.

KK PRECISION INC.

Per: 
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

Confirmation Letter / Lettre de confirmation

Canadian Securities Registration Systems/Systèmes d'Enregistrement des Garanties Canadiennes
Suite 200, 4126 Norland Avenue, Burnaby, BC V5G 3S8
Authorized Section 427 Bank Act Registrar / Bureau d'enregistrement autorisé conformément à l'article 427 de la Loi sur les banques.

CSRS - Ontario
Suite 2605 - 180 Dundas St. W
Toronto, Ontario
M5G 1Z8

2011/09/02 07:08:06 AM PDT

Ref / Objet: 02850488; 02850489 Centro/BMO-00022

Tel/Tél: 1-416-204-3000
Fax/Télécopie: 1-416-204-3004

Acct# 9005

Dear Sir / Madam

Monsieur / Madame

Re: Bank Act Security - Section 427

Objet: Garanties données en vertu de la Loi sur les banques - article 427

We have processed your request(s) and hereby confirm the following results: (*see below).

Nous avons donné suite à votre (vos) demande(s) et nous vous faisons part des résultats suivants: (* voir ci-dessous).

Type Registration Name Type Enregistrement au nom de	Address Adresse	Date Date	Expires Expire	Number Numéro	Bank Banque
(1) KK Precision Inc.	104 Oakdale Road Toronto ON M3N1V9	2011/09/02 07:07 AM PDT	2016/12/31	01267304	Bank of Montreal

REFERENCE

(1) We have entered the above names(s) on our register of notices of intention to give security under the Bank Act in the province of Ontario.

(2) A search has been made of the notices of intention to give security under the Bank Act registered in the province of Ontario. As at the date and time above, our records indicate the following.

REFERENCE

(1) Nous avons ajouté le(s) nom(s) ci-dessus à notre registre de préavis se rapportant aux garanties données en vertu de la Loi sur les banques dans la province de: Ontario.

(2) Nous avons examiné les préavis qui se rapportent aux garanties données en vertu de la Loi sur les banques et qui sont enregistrés pour la province de: Ontario. À la date et à l'heure indiquées ci-dessus.

Your search criteria

KK Precision Inc.

returns the following results:

Votre critère de recherche

KK Precision Inc.

révèle les résultats suivants:

Type Registration Name Type Enregistrement au nom de	Address Adresse	Date Date	Expires Expire	Number Numéro	Bank Banque
(2) KK Precision Inc.	104 Oakdale Road Toronto ON M3N1V9	2011/09/02 07:07 AM PDT	2016/12/31	01267304	Bank of Montreal

R. Conconi

For Registrar / Pour le Régistrare

We acknowledge receipt of fees
as follows:

Nous accusons réception des droits prescrits dont les montants
s'établissent comme suit:

Type Type	Fee Tarif	GST/HST TPS/TVH	Qty Qté	TOTAL TOTAL	Receipt No. Numéro du reçu
(1)	\$8.00	\$0.00	1	\$8.00	02850488 - S-R-RN-O
(2)	\$4.00	\$0.00	1	\$4.00	02850489 - S-R-PS-O

\$12.00

GST-HST / TPS-TVH #: 85386 4528

ASSIGNMENT OF MATERIAL AGREEMENTS

THIS IS AN AGREEMENT made as of September 1, 2011 by KK Precision Inc. (the company resulting from the amalgamation of KKP Acquisition Corp., Precinda Inc. and KK Precision Inc. and referred to herein as the "Assignor") in favour of Bank of Montreal ("BMO") and BMO Capital Corporation ("BMOCC", BMOCC together with BMO are collectively referred to herein as the "Assignee").

WHEREAS:

1. Assignor as successor in interest and: (i) BMO are parties to a credit agreement dated as of the date hereof (as such credit agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "BMO Credit Agreement"); and (i) BMOCC are parties to a credit agreement dated as of the date hereof (as such credit agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "BMOCC Credit Agreement", BMOCC Credit Agreement together with the BMO Credit Agreement are collectively referred to herein as the "Credit Agreement");
2. Assignor as successor in interest and, *inter alia*, Precinda Corporation are parties to a share purchase agreement dated as of the date hereof (the "Share Purchase Agreement"), a true and complete copy of which is attached hereto as Schedule "A";
3. Assignor as successor in interest and, *inter alia*, Precinda Corporation are parties to an escrow agreement dated as of the date hereof (the "Escrow Agreement"), a true and complete copy of which is attached hereto as Schedule "B";
4. Assignor as successor in interest and Pratt & Whitney Canada Corp. are parties to a: (i) long term purchase agreement dated as of September 18, 2002; (ii) memorandum of agreement dated as of January 25, 2006; and (iii) memorandum of agreement dated as of April 17, 2008 (as such agreements may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as, collectively, the "Pratt Agreements"), true and complete copies of which are attached hereto as Schedule "C";
5. Assignor as successor in interest and Rolls-Royce Canada Limited are parties to an agreement for the supply of goods or services (RRC/LTA 2007-0033) dated January 31, 2007 as amended by an amending agreement dated October 29, 2010 (as such agreement may hereafter be further amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Rolls-Royce Agreement"), a true and complete copy of which is attached hereto as Schedule "D";
6. Assignor as successor in interest and Rolls-Royce Power Engineering Plc. are parties to a long term pricing agreement (NM004 – issue 1) dated August 25, 2009 (as such agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Rolls-Royce Engineering Agreement"), a copy of which is attached hereto as Schedule "E";
7. Assignor as successor in interest and Rolls-Royce plc are parties to an agreement R-RGCP2003/1 DPC NM004 dated July 24, 2009 (as such agreement may hereafter be amended, restated,

replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "**Rolls-Royce plc Agreement**"), a copy of which is attached hereto as Schedule "F";

8. Assignor as successor in interest and Tyson Tool Company Limited are parties to a cutting tool integration proposal dated August 14, 2007 (as such proposal may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "**Tyson Tool Agreement**"), a copy of which is attached hereto as Schedule "G";
9. The Share Purchase Agreement, Escrow Agreement, Pratt Agreements, Rolls-Royce Agreement, Rolls-Royce Engineering Agreement, Rolls-Royce plc Agreement and the Tyson Tool Agreement are collectively referred to herein as the "**Material Agreements**"; and
10. As a condition to the provision of credit or otherwise making financial accommodations available to the Assignor under the Credit Agreement, the Assignee has required, among other things, that the Assignor agree to assign to the Assignee, as continuing security, all of the Assignor's present and future rights and interests in and to the Material Agreements;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the Assignor) the Assignor covenants, agrees and declares in favour of the Assignee as follows:

ARTICLE 1 **INTERPRETATION**

1.1 Interpretation

Each word and expression (capitalized or not) defined or given an extended meaning in the Credit Agreement, and not otherwise defined herein, is used in this agreement with the respective defined or extended meaning assigned in the Credit Agreement. To the extent that there is any inconsistency between a provision of this agreement and a provision of the Credit Agreement, the said provision in the Credit Agreement shall govern.

1.2 Severability.

If any term or provision contained in this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, and the application of such term or provision to persons and circumstances other than those in respect of which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

1.3 Governing Law.

This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein. The Assignor irrevocably attorns to, and submits to the non-exclusive jurisdiction of, the courts of Ontario with respect to any matter arising hereunder or related hereto.

1.4 Binding On Successors, Etc.

This Agreement and everything contained in this Agreement shall enure to the benefit of each Assignee and the respective successors and assigns of each and shall be binding upon the Assignor and its successors and permitted assigns. The Assignor may not assign any of its rights or obligations under this Agreement without the prior written consent of the Assignee.

1.5 Material Agreements.

The Assignor represents and warrants to the Assignee that the recitals contained herein are true and correct in all respects. The Assignor represents and warrants that true copies of the Material Agreements are attached hereto as Schedules "A", "B", "C", "D", "E", "F" and "G" and that the Assignor, is in compliance in all material respects with all provisions of the Material Agreements as of the date hereof and that there have been no amendments to any of the Material Agreements, other than as disclosed above.

ARTICLE 2 **ASSIGNMENT, ETC.**

2.1 Assignment.

Upon and subject to the terms, conditions and provisions contained in this Agreement, the Assignor by this Agreement, unconditionally and irrevocably assigns, transfers and sets over to and in favour of the Assignee for the benefit of the Assignee as and by way of a fixed and specific assignment, and grants to the Assignee a continuing security interest in, all of the Assignor's present and future right, title, estate and interest in, to, under and in respect of:

- (a) each of the Material Agreements and all rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor to be derived from each of the Material Agreements;
- (b) all covenants, obligations and agreements to exercise and enforce the rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor under, in connection with or in respect of each of the Material Agreements;
- (c) all indemnities (contractual, statutory or otherwise) under, in connection with or in respect of each of the Material Agreements and all rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor to be derived from all such indemnities and otherwise to exercise and enforce the rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor in respect of all such indemnities;
- (d) all revenues and other moneys or amounts now due and payable, or which may in the future become due and payable, to the Assignor under or in connection with the Material Agreements (or any one or more of them) or which are now, or may in the future become, receivable by the Assignor pursuant to or in connection with the Material Agreements (or any one or more of them); and
- (e) all rights of the Assignor to perform and exercise all of its rights, entitlements, privileges, benefits, powers, licences and advantages under, in connection with or with respect to, and all remedies in connection with, the Material Agreements and all rights or claims of

the Assignor to damages arising out of, or for, breach or default in respect of the Material Agreements

(collectively, the “Assigned Premises”),

to be held by the Assignee as general and continuing security for the due payment and performance of all present and future debts, liabilities and obligations of the Assignor to the Assignee (whether as principal debtor, guarantor, surety or otherwise) of any and every nature whatsoever and however incurred including, without limitation, under, in connection with or with respect to the Credit Agreement (collectively, the “Obligations”).

Nothing in this Agreement shall be construed as an assignment of, or an attempt to assign any of the Material Agreements to the extent that such agreement is not assignable or not assignable without approval or consent of the issuer thereof or the other party or parties thereto without first obtaining such approval or consent (each such Material Agreement being collectively called, the “Excluded Collateral”). At the request of any Assignee, the Assignor shall use all commercially reasonable efforts to obtain all consents and approvals required in connection with the Material Agreements. Until such consents and approvals are obtained, the Assignor shall, to the extent that it may do so by law or under the terms of the Excluded Collateral and without giving rise to any default, penalty or right of termination, hold all right, title, benefit and interest to be derived therefrom in trust for the Assignee as additional security as if the assignment contained herein applied, and shall deliver up such right, title, benefit and interest to the Assignee forthwith upon the occurrence and continuation of an Event of Default.

2.2 No Liability.

Nothing contained in this Agreement shall render the Assignee (or either of them), or any of its agents, employees or any other persons for whom the Assignee (or either of them) is in law responsible, liable to any person for the fulfillment or non-fulfillment of the obligations, covenants and agreements (including, but not limited to, the payment of any monies under or in respect of the Material Agreements (or any one or more of them)) of the Assignor under the Material Agreements. The Assignor hereby indemnifies and agrees to save and hold harmless the Assignee (or either of them) from and against any and all claims, demands, actions, causes of action, losses, suits, damages and costs whatsoever of any person arising directly or indirectly from or out of the Material Agreements (or any one or more of them) other than by reason of gross negligence or wilful misconduct of the Assignee (or any of them).

2.3 Attorney of the Assignor.

The Assignee (or either of them), as attorney or agent of the Assignor and in its name, may, at any time and from time to time after the occurrence of an Event of Default, exercise any of the rights, entitlements, privileges, powers, benefits, licences, advantages, authorities and discretions which under the terms of the Assigned Premises could be exercised by the Assignor with respect to the Assigned Premises.

2.4 Performance Until the Acceleration Date.

Until the Acceleration Date, the Assignor, subject to any other agreement between the Assignee (or either of them) and the Assignor, shall: (a) be entitled to deal with the Assigned Premises and to enforce all of the benefits, advantages and powers under the Material Agreements as though the

security interest created by this Agreement had not been made; and (b) perform all covenants and obligations to be performed by it under the terms of the Material Agreements. On the Acceleration Date, the Assignee (or either of them) may, but shall not be obligated to, exercise all rights, powers, benefits, advantages, authority and discretions of the Assignor in respect of the Assigned Premises and to exercise the rights granted to the Assignee under this Agreement in respect of the Assigned Premises in the place and stead of the Assignor, all of which are hereby consented to by the Assignor.

2.5 No Amendment/Notice of Default.

The Assignor shall not restate, replace or make any material amendment to the Share Purchase Agreement or the Escrow Agreement without the prior written consent of the Assignee, such consent not to be unreasonably withheld or delayed. Non-material amendments may be made to the Share Purchase Agreement or the Escrow Agreement provided that the Assignor shall deliver copies of such amendments to the Assignee within 15 days of entering into same. The Assignor undertakes to provide written notice to the Assignee forthwith upon receiving any notice of default or event of default in connection with the Material Agreements (or any one or more of them).

ARTICLE 3 **DEFAULT**

3.1 Rights of Assignee on the Acceleration Date.

Commencing on the Acceleration Date, without limiting the rights of the Assignee (or either of them) under or pursuant to this Agreement, any other security or agreement provided by the Assignor to the Assignee (or either of them) or any other person pursuant to or in connection with any of the Obligations or otherwise provided by law, the Assignee (or either of them) shall be entitled:

- (a) to enforce, realize, sell, assign, transfer, require continued performance under or otherwise deal with the Assigned Premises, upon such terms and conditions and at such time or times as may seem to it advisable, and to charge on its own behalf and pay to others reasonable sums for expenses incurred and for services rendered (expressly including legal advice and services) in connection with so collecting, realizing, or obtaining performance of the Assigned Premises, and to add the amount of such sums to the Obligations;
- (b) to renew, amend or otherwise deal with the Assigned Premises (including, without limitation, the authority to demand, sue for, recover, receive and give receipts for all work, services and goods to be provided under the Assigned Premises and to give consents or waivers with respect to, or otherwise enter into agreements, understandings or arrangements respecting, the Assigned Premises), or make other agreements in respect of the business and operations of the Assignor or any part or parts or parts thereof for such consideration and on such terms as it may deem appropriate;
- (c) to perform at the Assignor's expense any and all obligations or covenants of the Assignor under the Assigned Premises or in respect thereof and to enforce performance by each of the parties to the Material Agreements of their respective obligations, covenants and agreements thereunder (any and all such expenses incurred by the Assignee (or either of them) shall be repaid by the Assignor to the Assignee (or either of

them) on demand and shall form part of the Obligations and interest shall accrue thereon at the same rate as set out in the Credit Agreement);

- (d) to manage generally the business and operations of the Assignor and deal with the Assigned Premises to the same extent as the Assignor could do; and
- (e) by instrument in writing appoint any person to be a receiver (which term shall include a manager and a receiver and manager) of the business and operations of the Assignor or any part thereof and may remove any receiver so appointed and appoint another in his stead; and any receiver so appointed shall have the authority to do any of the acts specified in this Section and further to take possession of and collect the revenues and other moneys of all kinds payable to the Assignor in respect of the Assigned Premises and pay therefrom all reasonable expenses of completing, maintaining, preserving, protecting and operating the business and operations of the Assignor, the payment of which may be necessary or desirable to complete, preserve and protect the business and operations of the Assignor and the Assigned Premises,

the whole without any liability or responsibility of any kind on the part of the Assignee (or either of them) or their respective agents or receivers (other than by reason of the gross negligence or wilful misconduct of such persons).

3.2 No Obligation to Enforce Assigned Premises.

The Assignee (or either of them) shall not be liable or accountable for any future failure to enforce or otherwise deal with the Assigned Premises and the Assignee (or either of them) shall not be bound to institute proceedings for the purpose of enforcing or otherwise dealing with the Assigned Premises or for the purpose of preserving any rights of the Assignee (or either of them), the Assignor, or any other person in respect of the same. No failure to exercise or any delay on the part of any Assignee in exercising any right, power or remedy provided in this Agreement or by law shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any further or other exercise of the same right, power or remedy or the exercise of any other such right, power or remedy. Where any discretionary powers under this Agreement are vested in an Assignee or its agents or receiver, such powers may be exercised by an officer or manager of such Assignee or its appointed agents or receiver, as the case may be.

3.3 Application of Assigned Premises.

All monies or other amounts collected or received by any Assignee in respect to the Assigned Premises may be applied on account of such part of the Obligations as provided in the Credit Agreement.

ARTICLE 4 **GENERAL**

4.1 No Release.

This Agreement shall remain in full force and effect without regard to, and the obligations of the Assignor hereunder shall not be affected or impaired by: (a) any amendment, modification, replacement of or addition or supplement to the Credit Agreement (or either of them) or any other agreement or security provided to the Assignee (or either of them), or any other person with respect to any

Obligations; (b) any exercise or non-exercise of any right, remedy, power or privilege in respect of the Credit Agreement, the Obligations or any other agreement or security provided to an Assignee; (c) any waiver, consent, extension, indulgence or other action, inaction or omission under or in respect of the Credit Agreement or any other agreement or security provided to an Assignee with respect to any Obligations; (d) any default by the Assignor under, or any invalidity or unenforceability of, or (subject to Section 4.2) any limitation of the liability of the Assignor or on the method or terms of payment under, or any irregularity or other defect in, and the Credit Agreement or any other agreement or security provided to an Assignee with respect to any Obligations; (e) any merger, consolidation or amalgamation of the Assignor or any partners of the Assignor into or with any other person or any change in the persons who are from time to time partners of the Assignor; or (f) any insolvency, bankruptcy, liquidation, reorganization, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Assignor or any partners of the Assignor.

4.2 Termination of this Agreement.

Upon payment and fulfillment by the Assignor, its successors or permitted assigns, of all Obligations and provided that the Assignee is then under any obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Assignor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Assignee shall, upon request in writing by the Assignor and at the Assignor's expense, discharge this agreement.

4.3 No Partnership.

Nothing contained in this Agreement shall be deemed or construed as creating the relationship of principal and agent or of partnership or of joint venture between the Assignor and the Assignee; it being understood and agreed that none of the provisions contained in this Agreement or any acts of the Assignee or of the Assignor, shall be deemed to create any relationship between the Assignee and the Assignor other than the relationship of assignee and assignor.

4.4 Rights and Remedies Cumulative.

The rights and remedies given to the Assignee under this Agreement shall be cumulative of and not substituted for any rights and remedies to which the Assignee may be entitled under any other agreement or security provided to the Assignee with respect to any Obligations or under statute, at law or in equity, and may be exercised whether or not the Assignee has pursued or is then pursuing any other such rights and remedies. Further, nothing in this Agreement shall curtail or limit the remedies of the Assignee as permitted by law or in any statute to a creditor, all such remedies being in addition to and not in substitution for any other rights of the Assignee under this Agreement, or any other agreement or security provided to the Assignee with respect to any Obligations.

4.5 Time of Essence.

Time shall be of the essence of this Agreement.

4.6 Notices.

All notices and other communications given under or with respect to this Agreement shall be given, pursuant to Section 13.07 of the Credit Agreement.

4.7 Waiver.

No consent or waiver, express or implied, by the Assignee to or of any breach or default by the Assignor in performance of its obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by the Assignor under this Agreement. Failure on the part of the Assignee to complain of any act or failure to act of the Assignor or to declare the Assignor in default, irrespective of how long such failure continues, shall not, by itself, constitute a waiver by the Assignee of its rights under this Agreement.

4.8 Amendments.

This Agreement may not be modified or amended except with the written consent of the Assignor and the Assignee.

4.9 Continuing Security.

This Agreement and the rights and remedies it creates are a continuing agreement and security, and shall bind the parties until discharge of this Agreement as provided in Section 4.2 of this Agreement.

4.10 Indemnity.

The Assignor shall be liable for, and shall indemnify and save the Assignee harmless of and from, all manner of actions, causes of action, demands, claims, losses, costs, damages and expenses of any and every nature whatsoever which the Assignee may sustain, pay or incur in respect of or in connection with (a) the Assigned Premises, (b) any and all actions of the Assignor pursuant to the exercise by the Assignor of any of its rights, duties or obligations under or in respect of the Assigned Premises, and (c) the lawful and proper exercise or performance by the Assignee of any of its rights and powers as authorized under this Agreement (other than by reason of the gross negligence or wilful misconduct of the Assignee).

4.11 Expenses.

The Assignor shall pay to the Assignee on demand all reasonable out-of-pocket costs and expenses incurred by the Assignee in connection with the preparation, execution, delivery and administration of this Agreement and all related documentation and the amendment and enforcement of, and the preservation and protection of any of the Assignee's rights under, this Agreement and such related documentation (including the reasonable fees and out-of-pocket expenses of counsel for the Assignee for services provided in connection with the foregoing matters and all sales, goods and services and other similar taxes payable under the laws of any applicable jurisdiction with respect thereto) and shall pay to the Assignee interest thereon, calculated from and including the due date thereof and payable on demand, at the highest per annum rate of interest from time to time applicable to the Obligations, all of which amounts shall be added to, and be deemed to form part of, the Obligations.

4.12 Statutory Waivers.

To the fullest extent permitted by law, the Assignor waives all of the rights, benefits and protections given by the provisions of any existing or future statute or regulation which imposes limitations on the powers, rights or remedies of a secured party or on the methods of realization of security, including, without limitation, any seize or sue or anti-deficiency statute or any similar provision of any other statute.

4.13 Receipt.

The Assignor acknowledges receipt of an executed copy of this Agreement.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS OF WHICH the Assignor has duly executed this Agreement as of the date indicated on the first page of this Agreement.

KK PRECISION INC.

By: _____

Name: _____

Title: _____

SCHEDULE "A"
SHARE PURCHASE AGREEMENT

SHARE PURCHASE AGREEMENT

by and among

KK PRECISION INC.,

PRECINDA INC.,

THE SHAREHOLDERS LISTED ON EXHIBIT A HERETO,

PRECINDA CORPORATION,

as Seller Representative,

and

KKP ACQUISITION CORP.

SEPTEMBER 1, 2011

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SHARE PURCHASE AGREEMENT

This SHARE PURCHASE AGREEMENT is entered into as of the 1st day of September, 2011, by and among, KK Precision Inc., an Ontario corporation (the "Company"), Precinda Inc., an Ontario corporation (the "Parent" and together with the Company, each referred to herein as a "Precision Company" and collectively, the "Precision Companies"), the shareholders of the Parent listed on Exhibit A hereto (each a "Seller" and, collectively, the "Sellers"), Precinda Corporation, an Ontario corporation, (in its capacity as representative for the Sellers, referred to herein as the "Seller Representative" and in its capacity as a Seller, referred to herein as a "Seller", one of the "Sellers" or "Precinda Corp"), and KKP Acquisition Corp., an Ontario corporation (the "Purchaser").

WHEREAS, the Company is in the business of designing, engineering, manufacturing and supplying gas turbine engine components, sub-assemblies and related parts, including, without limitation, turbine casings, diaphragms, seals, rings, blade rings, variable guide vanes, vane assemblies, fan cases, fuel shut-off valves, valves, combustors, nozzles, discs, bearings and shafts, and providing engineering, design and supply chain management services and solutions within the gas turbine industry (collectively, the "Business");

WHEREAS, the Company is a wholly owned subsidiary of the Parent, and the Parent has authorized (a) an unlimited number of common shares (the "Common Stock"), (b) an unlimited number of Class X Preferred Shares (the "Class X Preferred Stock") and (c) an unlimited number of Class Z Preferred Shares (the "Class Z Preferred Stock");

WHEREAS, the Parent has issued and outstanding (a) 14,540,938 shares of Common Stock (the "Common Shares"), (b) 5,340,000 shares of Class X Preferred Stock (the "Preference Shares" and together with the Common Shares, the "Shares") and (c) 0 shares of Class Z Preferred Stock;

WHEREAS, each of the Rollover Sellers has entered into an Executive Contribution Agreement (a "Contribution Agreement") with the Purchaser pursuant to which, immediately following the Closing and the capital contributions made by the other shareholders of the Purchaser, the Rollover Sellers will contribute the Rollover Shares to the Purchaser in exchange for certain securities of the Purchaser in a transaction intended by the Purchaser and the Rollover Sellers to be a tax-deferred exchange under Canadian Tax Law (collectively, the "Rollover Contribution");

WHEREAS, pursuant to the terms and conditions set forth herein, the Sellers desire to sell, assign and transfer to the Purchaser, and the Purchaser desires to purchase and take assignment and delivery from the Sellers of, all of the Shares, except the Rollover Shares;

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS; INTERPRETATION

1.1 Definitions. The following terms shall have the following meanings for the purposes of this Agreement:

"Accrued Taxes" means collectively, the following: (a) goods and services Taxes, (b) harmonized sales Taxes, (c) any other similar sales or services Taxes, (d) realty Taxes and (e) business Taxes (to the extent based on a fixed annual amount).

"Affiliate" means, with respect to any specified Person, (a) any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person, (b) any Person of which such Person or such Person's spouse is an officer, director, governor, manager, security holder, partner or, in the case of a trust, the beneficiary or trustee and (c) a spouse, sibling, child or parent of such Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person directly or indirectly, whether through ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" having meanings correlative to the foregoing.

"Agreement" means this Share Purchase Agreement, including all Schedules and Exhibits hereto, as it may be amended from time to time in accordance with its terms.

"Approvals" means any approval or certification received by the Company from any of its customers or any industry related agencies, authorities, boards or other similar authorizing bodies operating within the Business.

"Balance Sheet Date" means June 30, 2011.

"Business Day" means any day of the year other than (a) any Saturday or Sunday, or (b) any other day on which banks located in Toronto, Ontario or New York, New York are required by any Governmental Authority to be closed for business.

"Cash and Cash Equivalents" shall mean cash and cash equivalents of the Precision Companies as of the Closing. For the avoidance of doubt, Cash and Cash Equivalents shall, without duplication, (a) be calculated net of issued but uncleared checks and drafts as of 11:59 PM ET on the Business Day immediately preceding the Closing Date, including any checks related to the Employee Bonus Payments, except to the extent Liabilities associated with such issued but uncleared checks and drafts are included as a Liability in the calculation of Net Working Capital, and (b) include checks and drafts received, and ACH transactions and other wire transfers initiated, for the account of the Precision Companies as of 11:59 PM ET on the Business Day immediately preceding the Closing Date, whether or not then deposited or cleared, except to the extent assets associated with such checks, ACH transactions and other wire transfers and drafts are otherwise included as assets in the calculation of Net Working Capital.

"Company's Knowledge," "to the Knowledge of the Company" or variations thereof, means the actual knowledge of Vahan Kololian, Garth Wheldon, Andrew Lee, George Koulakian, Paul Dickinson and Bosko Maric, and the presumed knowledge of each such Person

who is an employee, officer or director of the Company and/or the Parent as a result of the reasonable conduct of the duties associated with their respective employment positions, offices and/or director positions with the Company and/or the Parent, as applicable, including, without limitation, a reasonable review of the Sections of this Agreement and the Schedules related thereto, which could reasonably be determined to be related to the duties associated with their respective offices and/or director positions, and due inquiry by such Person of subordinates who could reasonably be considered to be in management positions with duties related to the matters set forth in Sections of this Agreement and the Schedules related thereto; provided, however, Paul Dickinson and Bosko Maric shall not be required to conduct an inquiry of their subordinates.

“Company Transaction Expenses” means, collectively, the unpaid fees, commissions, bonuses, expenses and other amounts that have been or are expected to be incurred by either of the Precision Companies or any of their Affiliates in connection with this Agreement, the Transaction Documents or the transactions contemplated by this Agreement (including research, preparation, drafting documents, negotiations, due diligence assistance, consultations, assessments or valuations), including (a) the fees and expenses of any consultants, financial advisors, brokers, attorneys, accountants, management companies or other agents and representatives engaged by any of the Sellers, the Precision Companies or their Affiliates, (b) the one-time payment for premiums for the Run-Off Insurance Policies, (c) any payments payable by either of the Precision Companies upon termination of contractual arrangements in connection with this Agreement, the Transaction Documents or the transactions contemplated by this Agreement, and (d) any bonuses, fees or other compensation payable to any current or former officers, directors, shareholders, employees or independent contractors of either of the Precision Companies in connection with (i) the financial performance of the Company and/or the Parent prior to the Closing Date, except to the extent included in the calculation of Net Working Capital or the Estimated Closing Indebtedness or paid prior to the Closing, or (ii) this Agreement, the Transaction Documents or the transactions contemplated by this Agreement, including the Employee Bonus Payments and any “change of control” or termination payments, except to the extent included in the calculation of the Estimated Closing Indebtedness or paid prior to the Closing.

“Confidentiality Agreement” means that certain Confidentiality Letter Agreement dated March 17, 2011 between C.W. Downer & Co. and River Associates Investments, LLC, a copy of which is attached hereto as Exhibit B, as amended by Section 6.1.

“Contract” means any contract, agreement, indenture, note, bond, loan, instrument, lease, order, bill, commitment or other arrangement or agreement, whether oral or written.

“C.W. Downer & Co.” means C.W. Downer & Co., LLC.

“Employee Bonus Payments” shall mean the bonus payments payable in the amounts and to employees of the Precision Companies as set forth on Schedule 1.1(a).

“Environment” shall mean any of the following media:

(a) land, including surface land, sub-surface strata and any natural or man-made structures;

(b) water, including coastal and inland waters, surface waters, ground waters, drinking water supplies and waters in drains and sewers, surface and sub-surface strata;

(c) air, including indoor and outdoor air; and

(d) plant life, animal life and ecological systems.

“Environmental Laws” means all Laws relating to protection of the Environment, worker or occupational health and safety, product safety, product Liability, public health or safety and Releases of or exposure to Hazardous Substances.

“Environmental Matter” shall mean:

- (i) pollution or contamination of the Environment, including soil or groundwater contamination or the occurrence or existence of, or the continuation of the existence of, an unpermitted Release;
- (ii) the treatment, disposal or Release of any Hazardous Substance;
- (iii) exposure of any person to any Hazardous Substance; and/or
- (iv) the violation of any Environmental Law or any Environmental Permit.

“Environmental Permit” shall mean any Permit issued, granted or required under or in connection with any Environmental Laws.

“Final Determination” means the final determination of the Final Net Working Capital, Final Closing Indebtedness (net of Cash and Cash Equivalents determined as of 11:59 PM ET on the Business Day immediately preceding the Closing Date) and the Final Company Transaction Expenses (i) by the mutual agreement of the Purchaser and the Seller Representative in accordance with Section 2.7 or (ii) by the Neutral Auditor in accordance with Section 2.7.

“Final Net Working Capital” means the computation of the Net Working Capital as of 11:59 PM ET on the Business Day immediately preceding the Closing Date as specified in Section 2.7.

“Financial Statements” means, collectively the Audited Financial Statements and the Unaudited Financial Statements.

“Fundamental Representations” means the representations and warranties contained in Sections 3.1 (Organization; Authority), 3.2 (Capitalization), 3.3 (Subsidiaries; Operations), 3.5 (Government Regulation), 3.13 (Litigation), 3.14 (Environmental), 3.15 (Tax Matters), 3.15 (Brokers and Finders), 4.1 (Organization; Authority of Sellers) and 4.2 (Ownership).

"GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants and consistently applied by the Precision Companies, which are applicable on the date on which any calculation is to be effective or at the date of any financial statements referred to herein, as the case may be.

"Government Contract" means any Contract between the Company and any Governmental Authority for the sale of the Company Products or the providing of any services or otherwise related to the Business in any way.

"Governmental Authority" means any government, regulatory or administrative authority, agency, commission, utility, department, arbitrator, bureau or board (federal, provincial, municipal or local, domestic or foreign) and any Person acting under the authority of any of the foregoing and any judicial, administrative or arbitral court, authority, agency, tribunal or commission.

"Hazardous Substance" shall mean, collectively, any (a) petroleum or petroleum products, or derivative or fraction thereof, radioactive materials (including radon gas), asbestos in any form that is friable, urea-formaldehyde foam insulation, and polychlorinated biphenyls, and/or (b) any chemical, material, substance or waste that may impair the quality of the environment is defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "deleterious," "caustic," "a source of contamination," "restricted hazardous wastes," "contaminants," or "pollutants", in each case as regulated under Environmental Laws, including materials that are deemed hazardous pursuant to any Environmental Laws due to their ignitability, corrosivity or reactivity characteristics.

"Identified Matters" shall mean any Loss, obligation or other Liability of any Purchaser Indemnified Party resulting from, arising out of or related to (a) the Seller Closing Step Plan, (b) the Real Property Liabilities and/or (c) the WSIB Audit.

"Indebtedness" of any Person means, without duplication, and in each case, except to the extent included in the calculation of Net Working Capital (a) indebtedness for borrowed money or indebtedness issued or incurred in substitution or exchange for indebtedness for borrowed money, (b) all obligations under leases which are required under GAAP to be recorded as capital leases in respect of which any such Person is liable as a lessee, (c) indebtedness that is evidenced by a note, bond, debenture, mortgage, draft or similar instrument or debt security, (d) lines of credit and other extensions of credit relating to the borrowing of money, (e) commitments or obligations by which such Person assures a creditor against loss (including contingent reimbursement obligations with respect to letters of credit), (f) amounts owing as deferred purchase price for property or services, (g) delinquent trade payables (other than delinquent trade payables, if any, which are the subject of a bona fide dispute and for which adequate reserves have been established and included in determining Final Net Working Capital), (h) amounts owing to any Sellers or their Affiliates or advisors (other than amounts owed for wages and expense reimbursements for full time employees all of which are recorded as Liabilities in the calculation of Final Net Working Capital), (i) obligations under any interest rate swap or interest rate hedging Contract, (j) indebtedness for borrowed money and other payables created in connection with the Seller Closing Step Plan, (k) guarantees with respect to any Indebtedness of any other Person of a type described in clauses (a) through (j) above, and (l) any prepayment

penalties and premiums, accrued interest and other amounts, required to fully pay and retire any Indebtedness of a type described in clauses (a) through (k) above on and with effect as of the Closing Date; which shall be calculated for purposes of Sections 2.2(a), 2.6 and 2.7 (but not Section 2.4(a)) net of any Cash and Cash Equivalents as of 11:59 PM ET on the Business Day immediately preceding the Closing Date (such that the amount of any Cash and Cash Equivalents reduces any payment on account of the Estimated Company Indebtedness or Final Closing Indebtedness).

"Indemnified Party" means the Person or Persons entitled to, or claiming a right to, indemnification under this Agreement.

"Indemnifying Party" means the Person or Persons claimed by the Indemnified Party to be obligated to provide indemnification under this Agreement.

"Information" has the meaning set forth in the Confidentiality Agreement.

"Intellectual Property" means any, whether foreign or domestic: (a) trade names, trademarks and service marks, design marks, trade dress, internet domain names, corporate names, trade names, business names, all other indicia of origin whether registered or unregistered, and all registrations and application for any of the foregoing (including all translations, adaptations, derivations, and combination of the foregoing), together with all associated goodwill; (b) inventions (whether or not patentable or reduced to practice), patent registrations and patent applications, and patent disclosures and improvements thereto together with all reissues, continuations, continuations in part, divisions, revisions, extensions or reexaminations thereof; (c) copyright registrations, copyright applications and, unregistered copyrights; (d) Trade Secrets; (e) computer software (including source code and object code), data, databases and documentation thereof; and (f) all other intellectual property as recognized under applicable Law.

"ITA" means the *Income Tax Act* (Canada).

"Investment Tax Credits" means the investment tax credits and any other tax credits earned as a result of research or development activities conducted prior to the Closing by the Precision Companies under the ITA or any other applicable legislation. For clarity, these shall include Federal Income Tax Credits, Ontario Research and Development Tax Credits, Ontario Innovation Tax Credits and Ontario Transitional Tax Credits.

"Law" means any law, principle of common law, statute, regulation, ordinance, rule, order, decree, judgment, consent decree or requirement enacted, promulgated, entered into, required or imposed by any Governmental Authority, in each case, as in effect on or prior to the Closing Date, as applicable.

"Lien" means any lien, lease, easement, security interest, charge, claim, action, demand and equity, mortgage, deed of trust, hypothec or other encumbrance of any nature whatsoever or howsoever arising and any rights or privileges capable of becoming any of the foregoing.

"Loss" or "Losses" means, with respect to any Person, any and all damages, losses, actions, proceedings, causes of action, obligations, liabilities, indebtedness, claims, Liens,

penalties, deficiencies, awards, fines, demands, assessments, Taxes, settlements, judgments, costs and expenses, including court costs, reasonable accountants' and attorneys' fees and other costs of litigation, and any interest owing to a third party claimant arising out of or levied as a result of any of the foregoing. In addition to the foregoing, Losses shall include any costs and expenses, including court costs, reasonable accountants' and attorneys' fees, expert witnesses' costs and other costs of litigation, incurred by an Indemnified Party in the successful enforcement of its indemnification rights under this Agreement; provided, however, Losses shall not include any indirect, consequential, punitive or special damages except any such indirect, consequential, punitive or special damages (i) owed or paid by a Purchaser Indemnified Party to a third party or (ii) incurred by the Purchaser or either of the Precision Companies as a result of or related to a breach of any of the representations or warranties set forth in Sections 3.5 (Government Regulation), 3.8 (Financial Statements), 3.16 (Material Contracts) and/or 3.23(a) (Customers) (but only to the extent such Losses are otherwise recoverable at law).

"Management Level Employee" means Garth Wheldon, Andrew Lee, George Koulakian, Paul Dickinson, Bosko Maric, Kathy Gagnon, Jim Morrison, Harry Garabetian, Dan Cristian, Tom Walton, Levon Arakelian, Zaven Badiguian, Kathleen Gagnon, Hariton Garabetian, Ashoka Kaminoulu, Sergey Kotylev, Narine Rambali, Liviu Rotaru, Satinder Sidhu, Rupert Stephenson and Calvin Tan.

"Material Adverse Effect" means a material adverse effect on the assets, results of operations, prospects or financial condition of the Precision Companies taken as a whole; provided, that, for purposes of this Agreement, a Material Adverse Effect shall not include changes to the assets, results of operations or financial condition of the Precision Companies resulting from (a) changes to the Canadian economy or the global economy, in each case, as a whole, (b) any adverse change, event, development or effect arising from or relating to (i) general business or economic conditions, (ii) national or international political or social conditions, including any military action or terrorist attack, or (iii) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any security or any market index), (c) any action taken by Purchaser or any of its Affiliates consented to in writing by the Precision Companies or (d) the consummation of the transactions contemplated by this Agreement.

"Material Contracts" means all of the following Contracts to which either Precision Company is a party or by which either is bound or obligated by (but excluding any Contracts that neither of the Precision Companies have or may have any continuing obligations under following the Closing, other than warranty obligations or any contingent liability for breach of prior obligations under such Contracts); (i) any Contracts which involve payments to or from a Precision Company in excess of \$50,000 and are not immediately terminable by a Precision Company without penalty; (ii) Contracts for the sale of (or granting an option or right to purchase) any of the assets of a Precision Company other than in the Ordinary Course of Business; (iii) joint venture, partnership or other agreements (however named) involving a sharing of Intellectual Property (or other technical know-how), profits, losses, costs or Liabilities with any other Person; (iv) Contracts containing covenants of a Precision Company not to compete in any line of business or with any Person in any geographical area or covenants of any other Person not to compete with a Precision Company in any line of business or in any geographical area; (v) Contracts relating to the acquisition or disposition by a Precision

Company of any operating business or the capital stock of any other Person; (vi) Contracts relating to any Indebtedness (including capital leases), guarantee, loan, letter of credit, surety bond (in excess of \$50,000 in the aggregate) or financing agreement or instrument or other contract for money borrowed, including any agreement or commitment for future loans, credit or financing entered into by a Precision Company; (vii) any leases, rental agreements, licenses, installment and conditional sale agreements, and other contracts or arrangements affecting the ownership of, leasing of, title to, use of, or any leasehold or other interest in, any real or personal property; (viii) Intellectual Property Licenses; (ix) written employment or severance agreements to which a Precision Company is a party with respect to any employee or former employee of a Precision Company and which may not be terminated at will, or by giving notice of thirty (30) days or less, without cost or penalty; (x) any Contracts with a customer for the sale of any Company Products or other services, other than purchase orders or scheduling agreements in the Ordinary Course of Business; (xi) Contracts with any current or former officer, director or Affiliate of a Precision Company or with any other current employee or consultant or with an entity in which any of the foregoing is a controlling person; (xii) Contracts with any labor union or association representing any employee; (xiii) Contracts pursuant to which any party is required to purchase or sell a stated portion of its requirements or output to another party; (xiv) Contracts under which either Precision Company agrees to indemnify any Person or to share tax Liability of any Person; (xv) Contracts for the purchase or sale of foreign currency or otherwise involving foreign exchange transactions; (xvi) any Contracts with a supplier in excess of \$50,000 and are not immediately terminable by a Precision Company without penalty, other than purchase orders or scheduling agreements in the Ordinary Course of Business; (xvii) Contracts requiring the payment to any person of an override or similar commission or fee; (xviii) Government Contracts; or (xix) Contracts and other agreements not made in the Ordinary Course of Business.

“NI 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions* adopted by the Ontario Securities Commission.

“Operating Lease Equipment” means the equipment described in that certain lease dated October 1, 2005, by and between the Company and RoyNat Inc.

“Ordinary Course of Business” means the ordinary course of business of the Precision Companies consistent with past custom and practice (including with respect to quantity and frequency).

“Payoff Letters” shall mean pay-off letters in form and substance acceptable to the Purchaser.

“Permitted Liens” means: (a) Liens arising by operation of Law for Taxes or other governmental charges not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, in each case as reserved against or reflected in the Final Net Working Capital, (b) servitudes, easements, restrictions, rights of parties in possession, zoning restrictions, encroachments, reservations, rights-of-way and other similar rights in real property or any interest therein, provided the same are not of such nature as to materially adversely affect the validity of title to or the value, marketability or use of the property subject thereto by the Precision Companies including, without limitation, the conduct and operation of

the Business, (c) undetermined or inchoate liens, charges and privileges incidental to current construction or current operations and Liens claimed or held by any Governmental Authority that have not at the time been filed or registered against the title to the asset or served upon a Precision Company pursuant to Law or that relate to obligations not due or delinquent, (d) the reservations in any original grants from the Crown of any real property or interest therein and statutory exceptions to title that do not materially detract from the value of the real property concerned or materially impair its use in the operation of the Business, (e) liens of carriers, warehousemen, mechanics and materialmen incurred in the Ordinary Course of Business for amounts not yet delinquent, (f) liens attaching to inventory held by consignees in the Ordinary Course of Business, (g) liens arising by operation of law with respect to vacation pay obligations arising in the Ordinary Course of Business, (h) liens in favor of utility suppliers incurred in the Ordinary Course of Business for amounts not yet delinquent. and (i) Liens disclosed on Schedule 1.1(b).

"Person" means any individual, corporation, partnership, association, limited liability company, trust, governmental or quasi-governmental authority or body or other entity or organization.

"Pre-Closing Tax Periods" shall mean any Tax Period ending on or before to the Closing Date and any pre-Closing portion of a Straddle Period.

"Real Property Liabilities" means any and all Losses arising from or related to (a) the Real Property Transfer, (b) the ownership, maintenance or operation of the Current Real Property or the Formerly Owned Real Property prior to the Closing and/or (c) the presence of any Hazardous Substance on the Current Real Property regardless of whether such Hazardous Substances are discovered following the Closing Date ("Environmental Liabilities").

"Release" shall mean any release, spill, emission, leaking, pumping, pouring, injection, deposit, disposal, discharge, dispersal, dumping, migration, spraying, incineration, abandoning, seeping, escaping or leaching of any Hazardous Substances into or through the Environment, and "Released" shall be construed accordingly.

"Rollover Seller" means each of Garth Wheldon, Andrew Lee, and George Koulakian.

"Rollover Shares" means, with respect to each Rollover Seller, the number of shares of Common Stock set forth opposite such Rollover Seller's name on Exhibit C under the heading "Number of Rollover Shares".

"Schedules" means the schedules attached to this Agreement and forming part of this Agreement.

"Securities Act" means the *Securities Act* (Ontario).

"Seller Closing Step Plan" means those transactions as described in Schedule 1.1(c), which occurred prior to or immediately following the Closing.

"Share Rollover Amount" means the aggregate amount of \$250,000 and, with respect to each Rollover Seller, the amount set forth opposite such Rollover Seller's name on Exhibit C.

“Straddle Period” means any Tax Period beginning before the Closing Date and ending after the Closing Date.

“Tax” and “Taxes” shall mean any or all Canadian federal, provincial, local or foreign (i.e., non-Canadian) income, gross receipts, real property gains, goods and services, harmonized sales tax, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, or other taxes, levies, governmental charges or assessments of any kind whatsoever, including, without limitation, any estimated tax payments, interest, penalties or other additions, whether or not disputed.

“Tax Period” or “Tax Periods” means any period prescribed by any Governmental Authority for which a Tax Return is required to be filed or a Tax is required to be paid.

“Tax Return” means any and all reports, returns, declarations, claims for refund, elections, disclosures, estimates, information reports or returns or statements required to be supplied to a Governmental Authority in connection with Taxes, including any schedule or attachment thereto or amendment thereof.

“Trade Secrets” means trade information, without regard to form, including, but not limited to technical, nontechnical or financial data, a formula, pattern, compilation, program, device, method, technique, process or plan that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other Persons who can obtain economic value from its disclosure or use.

“Transaction Documents” means all documents executed or delivered by either of the Precision Companies, the Purchaser or any Seller in connection with the Closing.

“WSIB Audit” means the audit conducted beginning on or about August 5, 2011 for the calendar years 2009 and 2010, the purpose of which is to verify the payroll records, calculations of insurable earnings, status of unreported contractors, business activity industry classification, claims allocation and first aid regulation compliance.

1.2 Additional Defined Terms. In addition to the terms defined in Section 1.1 above, the following additional defined terms are defined in the respective Section set forth opposite such term below:

DEFINED TERM	SECTION
Audited Financial Statements.....	3.8(a)
Basket Amount.....	8.4(a)
Business.....	Recitals
Cap	8.4(b)
Class X Preferred Stock	Recitals
Class Z Preferred Stock.....	Recitals
Closing	2.1
Closing Date.....	7.1

DEFINED TERM	SECTION
Common Shares	Recitals
Common Stock	Recitals
Company	Preamble
Company Products	3.25
Consultants or Independent Contractors	3.20(b)
Contest	9.6(a)
Contribution Agreement	Recitals
Current Real Property	3.7(a)
Customer/Supplier Claim	8.7(b)
Delivery Date	2.7(a)
Dispute Period	2.7(b)
Employee Plans	3.21(a)
Enterprise Value	2.2
Escrow Account	2.2(b)
Escrow Agent	2.2(b)
Escrow Agreement	2.2(b)
Escrow Amount	2.2(b)
Estimated Closing Indebtedness	2.6(a)
Estimated Company Transaction Expenses	2.6(a)
Estimated Net Working Capital	2.5
Estimated Net Working Capital Adjustment Amount	2.6(b)
Estimated Purchase Price	2.2(a)
Final Closing Indebtedness	2.7(a)
Final Company Transaction Expenses	2.7(a)
Final Net Working Capital	2.7(a)
Final Purchase Price	2.2(a)
Fixed Assets	3.9
Formerly Owned Real Property	3.7(a)
Individual Proceeds Cap	8.4(c)
Intellectual Property Licenses	3.12(a)
Lease	3.7(c)
Leased Real Property	3.7(b)
Liabilities	3.8(c)
Licensed Intellectual Property	3.12(a)
Material Customer	3.23(a)
Material Governmental Customer	3.22(a)
Material Supplier	3.24(a)
Net Working Capital	2.5
Neutral Auditor	2.7(c)
New Lease	6.2
Notice of Dispute	2.7(b)
Open Source Software	3.12(b)
Parent	Preamble
Permits	3.4(b)
Post-Closing Adjustment Schedule	2.7(a)

DEFINED TERM	SECTION
Pre-Closing Refunds	9.5(b)
Precinda Corp	Preamble
Precision Company or Precision Companies	Preamble
Preference Shares	Recitals
Purchase Price Adjustment Amount	8.4(d)
Purchased Shares	2.1
Purchaser	Preamble
Purchaser Indemnified Parties	8.2
Purchaser Indemnified Party	8.2
Real Property	3.7(d)
Real Property Transfer	3.7(a)
Records	6.3
Required Consents	3.4
Reserve Account	10.12(g)
Reserve Amount	10.12(g)
Resolution Period	2.7(b)
Rollover Contribution	Recitals
Seller or Sellers	Preamble
Seller Indemnified Parties	8.3
Seller Representative	Preamble
Sellers' Account	2.2(b)
Shares	Recitals
Target Working Capital Maximum Amount	2.6(b)
Target Working Capital Minimum Amount	2.6(b)
Target Working Capital Range	2.6(b)
Tax Losses	9.2(a)
Third Party Notice	8.7(a)
Transfer Taxes	10.1
Unaudited Financial Statements	3.8(a)

1.3 Interpretation. The headings preceding the text of Articles and Sections included in this Agreement and the headings to Schedules and Exhibits attached to this Agreement are for convenience only and shall not be deemed part of this Agreement or be given any effect in interpreting this Agreement. The use of the masculine, feminine or neuter gender or the singular or plural form of words herein shall not limit any provision of this Agreement. The use of the terms "including" or "include" shall in all cases herein mean "including, without limitation" or "include, without limitation," respectively. Reference to any Person includes such Person's successors and assigns to the extent such successors and assigns are permitted by the terms of any applicable agreement. Reference to any agreement (including this Agreement), document, instrument, statute, regulation, rule or law means such agreement, document, instrument, statute, regulation, rule or law as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof. References to Articles, Sections, paragraphs, clauses, Exhibits or Schedules shall refer to those portions of this Agreement unless otherwise clearly indicated. The use of the terms "hereunder," "hereof," "hereto" and words of similar import shall refer to this Agreement as a whole and not to any particular Article, Section,

paragraph or clause of, or Exhibit or Schedule to, this Agreement. The use of any undefined terms for accounting purposes or related to any accounting matters shall in all cases herein mean the definitions of such terms under GAAP. Any document, matter or information referred to herein as being disclosed or provided to the Purchaser shall be deemed to have been disclosed or provided to the Purchaser if such documents, matters and information were included in the online data room for Project Tolkien maintained by C.W. Downer & Co. on behalf of the Sellers. Any and all references to "dollar amounts" or "\$" shall mean such amounts in Canadian currency.

ARTICLE 2 PURCHASE AND SALE

2.1 Purchase and Sale. At the closing of the transactions contemplated hereby (the "Closing"), each Seller shall sell, assign and deliver to the Purchaser, and the Purchaser shall purchase and take assignment and delivery of, the issued and outstanding Shares shown as being owned by each such Seller as reflected on Schedule 3.2 other than the Rollover Shares (the "Purchased Shares").

2.2 Purchase Price.

(a) The purchase price for the Purchased Shares shall be an amount equal to \$20,200,000 (the "Enterprise Value") less the sum of (A) the Share Rollover Amount, plus or minus, as applicable, (B) the Estimated Net Working Capital Adjustment Amount, if any, minus (C) the Estimated Closing Indebtedness, and minus (D) the Estimated Company Transaction Expenses (as so calculated, the "Estimated Purchase Price") which shall be payable by the Purchaser pursuant to Section 2.2(b) below; provided, however, following the Closing, the Estimated Purchase Price shall be subject to adjustment pursuant to Section 2.7 relating to post-Closing Purchase Price adjustments, ARTICLE 8 relating to indemnification matters and ARTICLE 9 relating to Tax matters (as so adjusted, the "Final Purchase Price"). The Sellers and the Seller Representative agree that the Final Purchase Price shall be allocated by the Seller Representative among the Sellers as set out in Schedule 2.2, and any payments on account thereof by the Seller Representative shall be in the proportions set out therein.

(b) At the Closing, the Purchaser shall pay, by wire transfer of immediately available funds, an aggregate amount equal to the Estimated Purchase Price, which shall be payable as follows:

(i) The Purchaser shall establish and deposit \$1,500,000 (the "Escrow Amount") into an escrow account (the "Escrow Account") to provide a source for payment of amounts that become due and payable to the Purchaser Indemnified Parties pursuant to Section 8.2, and the Purchaser and the Seller Representative shall designate and appoint Computershare Trust Company of Canada (the "Escrow Agent") to serve in accordance with the escrow agreement attached as Exhibit D hereto (the "Escrow Agreement") to be entered into by and among the Escrow Agent, the Seller Representative and the Purchaser at the Closing; and

(ii) The Purchaser will pay, by wire transfer of immediately available funds into the account designated in writing by the Seller Representative (the "Sellers'

Account”) for the benefit of the Sellers, an aggregate amount equal to (A) the Estimated Purchase Price, minus (B) the Escrow Amount. The Sellers hereby acknowledge and agree that the payment by the Purchaser to such account pursuant to this Section 2.2(b)(ii) satisfies the Purchaser’s obligation to make the applicable payment of the remaining Estimated Purchase Price pursuant to this Section 2.2(b) for the benefit of the Sellers and that, following such payment, the Purchaser shall have no further obligation to any Seller to make any additional payment pursuant to this Section 2.2(b).

(c) The Escrow Amount shall be released to the applicable party or parties hereto in accordance with the terms of the Escrow Agreement, provided that the Purchaser’s rights to indemnification, or any other right to receive a payment from the Sellers, under this Agreement shall be governed exclusively by this Agreement and shall not be amended or modified by the Escrow Agreement.

2.3 Rollover. The Rollover Sellers and Purchaser will effect the Rollover Contribution in accordance with the terms of the Contribution Agreement. Such transaction shall occur immediately following the transfer of the Purchased Shares to the Purchaser.

2.4 Other Payments.

(a) The Purchaser will pay, by wire transfer of immediately available funds on behalf of the Precision Companies, the Estimated Closing Indebtedness in accordance with the Payoff Letters delivered pursuant to Section 7.2; and

(b) The Purchaser will pay, by wire transfer of immediately available funds on behalf of the Precision Companies, the Estimated Company Transaction Expenses in accordance with the payment instructions delivered by the Seller Representative prior to the Closing.

2.5 Net Working Capital. The term “Net Working Capital” shall mean “current assets” (including accounts receivable (reduced by customer deposits and prepayments), inventory and prepaid expenses but excluding Tax assets (other than Accrued Taxes)), minus “current Liabilities” (including accounts payable, accrued expenses, but excluding Tax Liabilities (other than Accrued Taxes), Indebtedness and Company Transaction Expenses) of the Precision Companies, calculated in accordance with GAAP and as shown on Schedule 2.5. For purposes of calculating the Estimated Net Working Capital and the Final Net Working Capital, the determination of reserves for bad debts and other reserves established for accounting purposes together with all other practices and procedures used in calculating and determining Net Working Capital will be made in accordance with GAAP and consistent with the past practice of the Precision Companies, including classifications and estimation methodologies consistent with the preparation of the Audited Financial Statements. For avoidance of doubt, the parties agree that Schedule 2.5 sets forth the line items to be included and excluded in calculating the Estimated Net Working Capital and the Final Net Working Capital.

2.6 Computation of Estimated Closing Payments.

(a) The Precision Companies have prepared and delivered to the Purchaser a schedule showing the Precision Companies’ reasonable and good faith estimate of (i) the Net Working Capital of the Precision Companies as of 11:59 PM ET on the Business Day

immediately preceding the Closing Date (the "Estimated Net Working Capital"), (ii) the Indebtedness of the Precision Companies as of the Closing (the "Estimated Closing Indebtedness"), and (iii) the Company Transaction Expenses as of the Closing (the "Estimated Company Transaction Expenses"). The Precision Companies have used commercially reasonable efforts to pay down the Estimated Closing Indebtedness and Estimated Company Transaction Expenses with cash of the Precision Companies prior to the Closing in order to reduce, to the fullest extent reasonably practical, the amount of Cash and Cash Equivalents at the time of the Closing (which shall be deemed satisfied if the Cash and Cash Equivalents is less than \$25,000 at the time of the Closing). In connection with the determination of the Estimated Net Working Capital, the Estimated Closing Indebtedness and the Estimated Company Transaction Expenses, the Precision Companies shall provide to the Purchaser such information, detail and support as the Purchaser shall reasonably request.

(b) If the Estimated Net Working Capital falls within the range (the "Target Working Capital Range") of \$3,100,000 (the "Target Working Capital Minimum Amount") to \$3,300,000 (the "Target Working Capital Maximum Amount") then the Estimated Net Working Capital Adjustment Amount will equal zero, and the Estimated Net Working Capital Adjustment Amount will be increased at the Closing, dollar for dollar, to the extent the Estimated Net Working Capital exceeds the Target Working Capital Maximum Amount or decreased at the Closing, dollar for dollar, to the extent the Estimated Net Working Capital is less than the Target Working Capital Minimum Amount (such amount, whether zero, positive or negative, is referred to herein as the "Estimated Net Working Capital Adjustment Amount").

2.7 Post-Closing Purchase Price Adjustments.

(a) As promptly as practical following the Closing, but in no event later than ninety (90) days after the Closing Date (the "Delivery Date"), the Purchaser shall cause a schedule (the "Post-Closing Adjustment Schedule") to be prepared and delivered to the Seller Representative showing the Purchaser's calculation of the (i) the Net Working Capital of the Precision Companies as of 11:59 PM ET on the Business Day immediately preceding the Closing Date (the "Final Net Working Capital"), (ii) the Indebtedness of the Precision Companies as of the Closing (the "Final Closing Indebtedness") and (iii) the Company Transaction Expenses as of the Closing ("Final Company Transaction Expenses"). The Estimated Purchase Price will be adjusted as necessary in accordance with Section 2.7(d).

(b) The Post-Closing Adjustment Schedule shall become final and binding upon the parties on the thirtieth (30th) day following the Delivery Date unless the Seller Representative gives the Purchaser written notice of its disagreement with the Post-Closing Adjustment Schedule (the "Notice of Dispute") prior to such thirtieth (30th) day following the Delivery Date (the "Dispute Period"); provided, however, the Seller Representative shall have the right to extend the Dispute Period by fifteen (15) days by delivering written notice of such extension to the Purchaser prior to the thirtieth (30th) day following the Delivery Date, and upon such delivery, the Dispute Period shall be extended and shall include such additional fifteen (15) days for purposes of this Section 2.7. Any Notice of Dispute shall be signed by the Seller Representative and shall (i) specify in reasonable detail the nature of any disagreement so asserted, (ii) with respect to the calculation of the Net Working Capital, only include disagreements based on mathematical errors or based on the Net Working Capital not being

calculated in accordance with the rules set forth in Section 2.5 and the relevant defined terms contained therein and (iii) specify what the Seller Representative reasonably believes is the correct amount of the Final Net Working Capital, Final Closing Indebtedness and/or Final Company Transaction Expenses, as applicable, based on the disagreements set forth in the Notice of Dispute, including a reasonably detailed description of the adjustments applied to the Post-Closing Adjustment Schedule in calculating such amount(s). Any matter not properly included in a Notice of Dispute within the Dispute Period shall not be considered to be in dispute by the parties and in no event shall the Notice of Dispute be amended after the Dispute Period. If the Purchaser does not agree with the Notice of Dispute, the Purchaser and the Seller Representative shall negotiate in good faith to resolve the disputed items set forth in the Notice of Dispute within thirty (30) days following delivery to the Purchaser of such Notice of Dispute (the "Resolution Period"), and any resolution by them as to any disputed items shall be in writing and shall be final, binding and conclusive.

(c) If the Purchaser and the Seller Representative are unable to resolve all disputed items with respect to the Post-Closing Adjustment Schedule prior to the expiration of the Resolution Period, any items remaining in dispute shall be submitted, as soon as practical, to the Toronto, Ontario office of PwC Canada, or if such firm is unwilling or unable to serve in such capacity or is not independent with respect to the Purchaser, the Precision Companies or the Sellers to another national or regional firm of independent, chartered accountants in Canada mutually acceptable to the Purchaser and the Seller Representative (the "Neutral Auditor"). The Neutral Auditor shall act as an arbitrator to determine only those items with respect to the Post-Closing Adjustment Schedule which are still in dispute. The Neutral Auditor's determination shall be final, binding and conclusive and enforceable in any court of competent jurisdiction and may not be appealed. In resolving any disputed item, the Neutral Auditor (i) shall be bound by the provisions of this Section 2.7, (ii) may not assign a value to any item greater than the highest value claimed for such item or less than the lowest value for such item claimed by either Purchaser or Seller Representative, (iii) shall restrict its decision to the disputed items included in the Notice of Dispute which are then in dispute, and (iv) shall render its decision in writing within thirty (30) days after the disputed items have been submitted to it. If any unresolved disputes are submitted to the Neutral Auditor, the cost and disbursements of the Neutral Auditors shall be borne (i) by Sellers in the proportion that the aggregate dollar amount of the disputed items that are unsuccessfully disputed by the Seller Representative (as finally determined by the Neutral Auditor) bears to the aggregate dollar amount of all disputed items and (ii) by Purchaser in the proportion that the aggregate dollar amount of the disputed items that are successfully disputed by the Seller Representative (as finally determined by the Neutral Auditor) bears to the aggregate dollar amount of all disputed items. For example, if the parties dispute \$100,000 of a proposed adjustment to be paid by the Sellers, the Neutral Auditor determines that such adjustment should be \$40,000 and the expenses of the parties and the total costs, fees and disbursements are \$50,000, then (i) the Sellers shall pay \$20,000 (40%) of such fees and (ii) Purchaser shall pay \$30,000 (60%) of such fees. The fees, costs and expenses of the Purchaser incurred in connection with its preparation of the Post-Closing Adjustment Schedule, its review of any Notice of Dispute and its preparation of its written brief submitted to the Neutral Auditor shall be borne by the Purchaser, and the fees, costs and expenses of the Seller Representative incurred in connection with its review of the Post-Closing Adjustment Schedule, its preparation, review and certification of the Notice of Dispute and its preparation of its written brief submitted to the Neutral Auditor shall be borne by the Sellers.

(d) Payments of Post-Closing Adjustment Amounts.

(i) If the Estimated Net Working Capital or the Final Net Working Capital is not within the Target Working Capital Range, then the Estimated Purchase Price shall be adjusted in accordance with Schedule 2.7(d), as applicable, to arrive at the Final Purchase Price.

(ii) If the Final Closing Indebtedness is greater than the Estimated Closing Indebtedness, then the Sellers shall pay the amount equal to such difference to the Purchaser by wire transfer of immediately available funds within five (5) days following the Final Determination. For the avoidance of doubt, any payments to be made by either party under this Section 2.7(d)(ii) shall take into account any increases or decreases in the amount of the Cash and Cash Equivalents as of 11:59 PM ET on the Business Day immediately preceding the Closing Date used to calculate the Estimated Closing Indebtedness.

(iii) If the Final Closing Indebtedness is less than the Estimated Closing Indebtedness, then the Purchaser shall pay the amount equal to such difference by wire transfer of immediately available funds, for the benefit of the Sellers into the Sellers' Account within five (5) days following the Final Determination. For the avoidance of doubt, any payments to be made by either party under this Section 2.7(d)(iii) shall take into account any increases or decreases in the amount of the Cash and Cash Equivalents as of 11:59 PM ET on the Business Day immediately preceding the Closing Date used to calculate the Estimated Closing Indebtedness.

(iv) If the Final Company Transaction Expenses are greater than the Estimated Company Transaction Expenses, then the Sellers shall pay the amount equal to such difference to the Purchaser by wire transfer of immediately available funds within five (5) days following the Final Determination.

(v) If the Final Company Transaction Expenses are less than the Estimated Company Transaction Expenses, then the Purchaser shall pay the amount equal to such difference by wire transfer of immediately available funds, for the benefit of the Sellers into the Sellers' Account within five (5) days following the Final Determination.

(vi) Any adjustments to the Estimated Purchase Price and required payments between the Purchaser and the Sellers relating to the Final Net Working Capital, the Final Closing Indebtedness or the Final Company Transaction Expenses under this Section 2.7(d) may be netted against each other as applicable. The Sellers hereby acknowledge and agree that the payment of the net amount owed by the Purchaser under this Section 2.7(d) (if any) to the Sellers' Account satisfies the Purchaser's obligation (if any) to make the applicable payments pursuant to this Section 2.7 for the benefit of the Sellers and that, following such payment, the Purchaser shall have no further obligation to any Seller to make any additional payment pursuant to this Section 2.7.

(e) Notwithstanding anything contained in this Agreement, to the extent a Liability is included in the calculation of Net Working Capital as a reduction to the amount of the Final Net Working Capital, the amount of such Liability so included shall not result in a

reduction to the Estimated Purchase Price or the Final Purchase Price (whether pursuant to this Article 2 or Articles 8 or 9), or any payment by the Sellers to the Purchaser, except pursuant to Sections 2.6(b) and 2.7(d)(i).

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF THE PRECISION COMPANIES

The Precision Companies, jointly and severally, (i) represent, warrant and covenant that each of the following representations and warranties is true and correct as of the Closing Date (unless an earlier date is indicated in a particular representation or warranty) and (ii) agree that such representations and warranties shall survive the Closing as provided in Section 8.1:

3.1 Organization; Authority.

(a) Each of the Precision Companies is (i) a corporation duly organized, validly existing and in good standing under the laws of the Province of Ontario, and (ii) duly qualified to do business and is in good standing in each jurisdiction set forth on Schedule 3.1, which are the only other jurisdictions where the conduct of their respective businesses or ownership of their respective properties and assets requires such qualification. Each of the Precision Companies has all requisite corporate power and authority to own, lease and operate its respective properties and assets and carry on its respective business as now being conducted. Each of the Precision Companies has full power and authority to enter into this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and to perform their respective obligations hereunder and thereunder. This Agreement and each of the Transaction Documents have been duly and validly executed and delivered by the Precision Companies and constitute the legal, valid and binding obligations of the Precision Companies enforceable against the Precision Companies in accordance with their respective terms.

(b) Each of the Precision Companies has heretofore delivered to the Purchaser true and complete copies of its Articles of Organization (certified by the Director of the Ontario Ministry of Government Services) and Bylaws (certified by its Secretary) as in effect on the date hereof.

3.2 Capitalization. The authorized and outstanding capital stock of each of the Precision Companies set forth on Schedule 3.2 constitutes all of the issued and outstanding capital stock of each of the Precision Companies, and Schedule 3.2 also accurately sets forth the ownership of all such capital stock. Each outstanding share shown thereon is duly authorized, validly issued, fully paid and non-assessable. Immediately prior to the redemption thereof, all of the Class Z Preferred Stock was owned by Precinda Corp. There are no outstanding or authorized (i) options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, rights of first refusal, preemptive rights, or other contracts or commitments of any kind that require either of the Precision Companies to issue, sell, or otherwise cause to become outstanding any of their capital stock, or (ii) stock appreciation, phantom stock, profit participation or similar rights with respect to either of the Precision Companies. All issuances of securities by either Precision Company have been performed in compliance with any Canadian laws and regulations applicable to such issuances, including, without limitation, the Securities

Act. The sale of the Shares by the Sellers to the Purchaser will be made in compliance with the Securities Act.

3.3 Subsidiaries; Operations.

(a) Except as set forth on Schedule 3.3(a), the Company is a wholly-owned subsidiary of the Parent, and the Parent does not and has not directly or indirectly owned any interest in any other Person within the past five (5) years. Except as set forth on Schedule 3.3(a), the Company does not currently, directly or indirectly, own any interest in any Person nor has it owned any such interest within the past five (5) years.

(b) All of the operations and activities related to the Business are and have been conducted through the Company. All properties and assets used or that are necessary in the operation of the Business are owned or leased by the Company. The Parent does not own or lease, and has not owned or leased within the past five (5) years, any assets or properties, except for Cash and Cash Equivalents, the Current Real Property, the Formerly Owned Real Property, all of the capital stock of the Company, any assets that have been removed prior to the Closing in accordance with the Seller Closing Step Plan or as set forth on Schedule 3.3(b). The Parent does not employ, nor has it employed within the past five (5) years, any employees, and the Parent does not conduct, nor has it conducted within the past five (5) years, any operations or business activities except to maintain the Current Real Property and lease it to the Company or as set forth on Schedule 3.3(b). Except as set forth on Schedule 3.3(b), the Parent is not a party to, nor has it ever been in the past five (5) years a party to, any Contract material to the current operations or financial capability of the Parent or the Company.

3.4 Required Consents. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, assuming the receipt of the consents, approvals and waivers listed and the filings and delivery of notices described, on Schedule 3.4 (the "Required Consents"), will not: (a) (i) violate or result in the breach of any of the terms of, result in a material modification of, or otherwise give any other contracting party the right to terminate, or constitute (or with notice or lapse of time or both constitute) a default under, any Material Contract to which either of the Precision Companies is a party by or to which such Precision Company or its assets or properties may be bound or subject; (ii) violate any order, writ, judgment, injunction, award or decree of any Governmental Authority against, or binding upon, either Precision Company or upon the assets of either of the Precision Companies; (iii) violate any Law applicable to either Precision Company or its respective properties or assets; or (iv) violate or result in the revocation or suspension of any Permit of either Precision Company; or (b) result in the creation of any Lien (other than Permitted Liens) upon either of the Precision Companies' properties or assets or give to any other Person any interest or right in either of the Precision Companies' properties or assets.

3.5 Government Regulation.

(a) Except for the Required Consents, no authorization, consent, or approval of, or filing with, any Governmental Authority is required to be obtained or made by either of the Precision Companies in connection with the consummation of the transactions contemplated hereby.

(b) Except as set forth on Schedule 3.5(b)(i), (i) each of the Precision Companies is currently and has at all times been, in compliance in all material respects with all applicable Laws, (ii) each of the Precision Companies is in possession of all Approvals, permits, licenses, certificates registrations and government authorizations (collectively, "Permits") identified on Schedule 3.5(b)(ii), (iii) such Permits are the only Permits required under applicable Law or by any customers of the Precision Companies, as applicable, for the operation of the Business as currently conducted, and (iv) each of the Precision Companies is in compliance with the requirements, obligations and limitations included in such Permits. All Permits listed on Schedule 3.5(b)(ii) are in full force and effect; no violations are or have been reported in respect of any of the Permits; and no proceeding is pending, or, to the Knowledge of the Company threatened, to revoke or limit any Permit. None of the material tangible assets of the Company are or have been operated in violation of any Law.

(c) Except as set forth on Schedule 3.5(c), there is no restriction under any Contract binding on the Company which materially adversely affects or may materially adversely affect the ability of the Company (i) to provide its suppliers with all designs and technical data necessary for the conduct of the Business as currently conducted by the Company, or (ii) to export, sell, market or distribute the Company Products in sufficient supply for the Business; in either case, as the Business is currently conducted by the Company.

3.6 Title to and Condition of Assets. The Company owns outright and has good and marketable title to, or valid and binding leasehold interests in all of its assets and properties, including, without limitation, all of the assets reflected on the balance sheet included in the Unaudited Financial Statements, as updated for operations in the Ordinary Course of Business since the Balance Sheet Date with respect to (a) the applicable current assets in the Final Net Working Capital and (b) the applicable non-current assets described in Sections 3.9 and 3.12; in each case, free and clear of any Liens, except for Permitted Liens. Except as set forth on Schedule 3.6(a), all of the assets and properties of the Company necessary for the conduct of the Business as presently conducted by the Company are in sufficient condition for their intended use. There are no material tangible assets necessary for the conduct of the Business as presently conducted by the Company which are not owned by the Company, leased by the Company or used by the Company pursuant to a valid license or other agreement. With the exception of inventory in transit or as set forth on Schedule 3.6(b), all of the tangible assets of the Company, including all inventory of the Company, are in the possession of the Company and located at the Current Real Property.

3.7 Real Property.

(a) Prior to the Closing, the Parent transferred the real property located at 104 Oakdale Road, Toronto, Ontario (the "Current Real Property"), excluding any operating equipment and/or machinery affixed or attached to the Current Real Property, which shall remain assets of the Precision Companies following the Closing, to 104 Oakdale Acquisition Corp. (the "Real Property Transfer"). Neither of the Precision Companies owns any real property and neither of the Precision Companies has ever owned any real property within the past fifteen (15) years except (i) the Current Real Property and (ii) the real property described on Schedule 3.7(a) (the "Formerly Owned Real Property").

(b) Schedule 3.7(b) sets forth a correct and complete listing of all real property currently leased by the Company ("Leased Real Property") and all leases for Leased Real Property (each a "Lease") to which the Company is a party. True and complete copies of each Lease have heretofore been made available to the Purchaser, and all rent and other sums payable by the Company as tenant thereunder are current. There are no pending or, to the Company's Knowledge, threatened, condemnation; eminent domain or similar proceedings, or litigation or other proceedings affecting the Leased Real Property or improvements thereon.

(c) Each Lease for a Leased Real Property is in full force and effect, enforceable in accordance with its terms and conditions (except as may be limited by (A) applicable bankruptcy, insolvency, moratorium, reorganization, or similar Laws from time to time in effect which affect creditors rights generally, or (B) legal and equitable limitations on the availability of specific remedies), and the Company is not in default of any of its obligations under any of the Leases and none of the landlords or other parties to the Leases are in default of any of their obligations under any of the Leases. No event has occurred or condition exists that would now or with the passage of time or the giving of notice constitute a default thereunder by the Company or, to the Company's Knowledge, the landlord.

(d) The Current Real Property and the use thereof, is in compliance with all Laws, including any building, zoning or other statutes or any official plan, or any covenants, restrictions, servitudes, rights or easements. The Company's use of and operations conducted at any of the Formerly Owned Real Property and/or any real property formerly leased by the Company was in compliance with all Laws. To the Company's Knowledge, there are no adverse or other parties in possession of the Current Real Property or the improvements thereon. There are no pending or, to the Company's Knowledge, threatened, condemnation, eminent domain or similar proceedings, or litigation or other proceedings affecting the Current Real Property or improvements thereon. All buildings, structures and improvements situated on the Current Real Property are located wholly within the boundaries of the Current Real Property and comply with all Laws, covenants, restrictions, servitudes, rights and easements affecting the same. There are no outstanding work orders, non-compliance orders, deficiency notices or other such notices relative to the Current Real Property or the use or occupation thereof. No part of the Current Real Property has been condemned, taken or expropriated by any Governmental Authority, nor has any notice or proceeding in respect thereof been given, commenced or threatened.

(e) The Current Real Property is fully serviced by public utilities having adequate capacities for the normal operations of the Business at such locations. The Current Real Property has adequate rights of access to and from public streets or highways for the normal operations of the Business, and there is no current fact or circumstance which could result in the termination or restriction of such access. There is no defect or condition affecting the Current Real Property (or the soil or subsoil thereof) or any adjoining property which would impair the current use of the Current Real Property or the use thereof in connection with the Business in the future. The buildings and structures situated on the Current Real Property are free of any structural defect. The heating, ventilating, plumbing, drainage, electrical and air conditioning systems and all other systems used in the Current Real Property are in good working order, fully operational and free of any defect, except for normal wear and tear. No amounts including, without limitation, municipal property Taxes, local improvement Taxes, levies or assessments, with respect of the Current Real Property are owing by either of the Precision Companies to any

Governmental Authority or public utility, other than current accounts which are not in arrears and are reflected in the Final Net Working Capital. There are no outstanding appeals on assessments which have been issued or raised by any Governmental Authority or by a Precision Company concerning any realty, business or other Taxes with respect to the Current Real Property. All amounts for labour or materials supplied to or on behalf of either of the Precision Companies relating to the construction, alteration or repair on the Current Real Property have been paid in full and no one has filed or has a right to file any construction, builders', mechanics' or similar liens or claims.

3.8 Financial Statements; Books and Records; Absence of Undisclosed Liabilities.

(a) The balance sheet of each of and the consolidated balance sheet of, the Precision Companies as of September 30, 2009 and September 30, 2010, and the related income statements and changes in retained earnings and cash flows for the twelve month periods then ended, including the footnotes thereto, which have been audited by Melissa L. Coulson C.A. Professional Corporation and delivered to the Purchaser, fairly present in all material respects the financial position of each of and the consolidated financial position of, the Precision Companies on September 30, 2009 and September 30, 2010, respectively, and the results of operations of each of and the consolidated results of operations of, the Precision Companies for the respective twelve month periods then ended, in each case in accordance with GAAP (the foregoing separate and consolidated audited financial statements of the Precision Companies as of September 30, 2009 and September 30, 2010, and for the twelve-month period then ended, are sometimes herein called the "Audited Financial Statements"). The unaudited balance sheet of each of and the consolidated unaudited balance sheet of, the Precision Companies as of June 30, 2011, and the related unaudited income statement and changes in retained earnings and cash flows for the nine (9) month period then ended, which have been delivered to the Purchaser, have been prepared in accordance with GAAP applied on a basis consistent with that that of the Audited Financial Statements, except as set forth on Schedule 3.8(a), and fairly present in all material respects the financial position of each of and the consolidated financial position of, the Precision Companies on June 30, 2011, and the results of operations of each of and the consolidated results of operations of, the Precision Companies for the nine (9) month period then ended (the foregoing separate and consolidated unaudited financial statements of the Precision Companies are sometimes herein called the "Unaudited Financial Statements"); provided, however, that the Unaudited Financial Statements lack footnotes and other presentation items required by GAAP (which if presented would not differ materially from those presented in the Audited Financial Statements) and are subject to normal year end adjustments which, in the aggregate, will not result in an adjustment to net income in excess of \$100,000.

(b) Each of the Precision Companies has in place a system of internal accounting controls over financial reports that has been sufficient to provide reasonable (for a company of the size and scope of the Company) assurance that: (i) records are maintained in reasonable detail and accurately and fairly reflect the transaction and dispositions of the assets of the Precision Companies; (ii) transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Precision Companies are made only in accordance with authorization of management of the Precision Companies; and (iii) the unauthorized acquisition, use or disposition of the assets of the Precision Companies that could have an adverse effect on the Precision Companies' financial

statements is prevented or timely detected, provided that no representation or warranty is made as to the sufficiency of such controls for the operation of any business conducted following the Closing.

(c) Except as set forth on Schedule 3.8(c), neither of the Precision Companies have any Indebtedness, liability, loss or obligation, whether absolute, accrued, liquidated or unliquidated, secured or unsecured, contingent, or otherwise, ("Liabilities"), except such Liabilities as are (i) reserved against or reflected in the Financial Statements (including the notes thereto) and the changes thereto reflected in the Final Net Working Capital, as each are incurred in the Ordinary Course of Business, or of a nature not otherwise required by GAAP or Section 2.5 to be reserved against or reflected therein, (ii) Final Company Indebtedness or (iii) Final Company Transaction Expenses.

3.9 Fixed Assets. Schedule 3.9(a) lists all of the fixed assets, including, without limitation, all machinery, equipment and similar items (the "Fixed Assets") (other than real estate) having a book value greater than \$25,000 that are owned or leased by the Company as of the Closing Date and each of the Fixed Asset's status as owned or leased. Except as described on Schedule 3.9(b), all of the Fixed Assets (a) adequately perform the functions they are intended to perform and (b) are in good working order, ordinary wear and tear excepted. All motor vehicles owned or leased by the Company are properly licensed and registered and are in compliance with all applicable Laws. All leases of the Fixed Assets are listed on Schedule 3.9(c), complete copies of which have been provided to the Purchaser, and all such leases are in full force and effect and binding upon the parties thereto, and neither the Company nor, to the Company's Knowledge, any other party to such leases, is in breach of any of the material provisions thereof. Except as described on Schedule 3.9(d), no options, rights of first refusal or any other Contracts exist that create or confer upon any Person the right to acquire any of the Fixed Assets owned by the Company or any portion thereof or create in or confer on any Person (other than a Precision Company) any right, title or interest therein or in any portion thereof. During the past three years, there has not been any significant interruption of or limitation upon, the operations of the Company due to (i) the Company's lack of ownership, right to use or access to any machinery or equipment or (ii) inadequate maintenance of any Fixed Assets or other machinery or equipment.

3.10 Accounts Receivable. The accounts receivable owed to the Company (except for any receivable assigned to another Person pursuant to the Seller Closing Step Plan) (i) are calculated and recorded in the Financial Statements and Final Net Working Capital in accordance with GAAP, (ii) have arisen out of bona fide sales and deliveries of products or the performance of services in the Ordinary Course of Business, (iii) represent valid obligations due to the Company pursuant to valid purchase orders or other Contracts enforceable in accordance with such purchase order's or other Contract's terms and (iv) are collectible within one hundred twenty (120) days following the Closing Date, subject only to the reserves for bad debts and accruals and reserves for discounts and other allowances set forth in the Final Net Working Capital.

3.11 Inventory. The inventory of the Company is recorded in the Financial Statements and the Final Net Working Capital in accordance with GAAP and consists of raw materials, components, parts, work-in-process and finished goods, in each such case as set forth on the

Company's balance sheet in the Unaudited Financial Statements and the changes thereto reflected in the Final Net Working Capital as incurred in the Ordinary Course of Business. The inventory of the Company recorded in the Final Net Working Capital are recorded at the lower of cost or net realizable value, with cost being determined on a specific identification basis. The tangible inventory of the Company is in good and merchantable condition, and suitable and usable or salable in the Ordinary Course of Business for the purpose for which it was manufactured and does not contain obsolete, damaged or defective inventory in excess of the applicable inventory reserve reflected in the Final Net Working Capital, other than inventory that the Company reasonably believes will be replaced or reimbursed for by suppliers or customers of the Company in the Ordinary Course of Business within one hundred eighty (180) days after the Closing Date (based on the past practices of the Company and the amounts and types of inventory historically replaced by suppliers of the Company). The estimates used, including for estimated selling price and estimated costs of completion, in calculating the net realizable value of any inventory of the Company, as reflected in the Final Net Working Capital, are based on the past practices of the Company. Since the Balance Sheet Date, the inventory of the Company has been purchased, manufactured, calculated and recorded in the Ordinary Course of Business consistent with reasonably anticipated requirements of the Company and its customers. Except as set forth on Schedule 3.11(b), the Company does not hold any other Person's inventory or other Person's property or assets on consignment.

3.12 Intellectual Property.

(a) Schedule 3.12(a) identifies (i) all Intellectual Property owned or used by the Company, other than Trade Secrets, inventions and proprietary processes that are not the subject of any patents or patent applications, or readily available "off the shelf" or "shrink wrapped" software, (ii) each license, agreement or other permission which the Company has granted to any third party with respect to any Intellectual Property owned by the Company, and (iii) excluding readily available "off the shelf," "shrink wrapped" software, each item of Intellectual Property that any third party owns and that the Company uses in connection with the Business and any license, agreement or other permission related thereto ("Licensed Intellectual Property," and the licenses, sublicenses, agreements and permissions in clauses (ii) and (iii) are collectively referred to as "Intellectual Property Licenses").

(b) Except as set forth on Schedule 3.12(b),

(i) the Company has not interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property rights of any Person or committed any acts of unfair competition, in each case, in any manner that entitles another Person to a remedy at Law or in equity, and the Company has not received any oral or written charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation, conflict or act of unfair competition;

(ii) the Company (a) owns free and clear of all Liens (other than Permitted Liens), has the right to use, sell, license and dispose of, and has the right to bring actions for the infringement of (where such remedy is available based on the type of Intellectual Property and its use by the Company), all Intellectual Property (other than the Licensed Intellectual Property) necessary or required for the conduct of the Business as currently

conducted and, to the Company's Knowledge, such rights to use, sell, license, dispose of and bring actions are exclusive with respect to such Intellectual Property; and (b) has the right to use all Licensed Intellectual Property;

(iii) there are no royalties, honoraria, fees or other payments payable by the Company to any person or entity by reason of the ownership, use, license, sale or disposition of the Company's Intellectual Property;

(iv) no activity, service or procedure currently conducted or proposed to be conducted by the Company nor the consummation of the transactions contemplated by this Agreement violates or will violate any Intellectual Property Licenses;

(v) the Company has not sent to any other Person in the past five (5) years or otherwise communicated to another Person any charge, complaint, claim, demand or notice asserting infringement or misappropriation of, or other conflict with, any of the Intellectual Property rights of the Company by such other Person or any acts of unfair competition by such other Person, nor, to the Company's Knowledge, is any such infringement, misappropriation, conflict or act of unfair competition occurring or threatened, or litigation pending relating to the Intellectual Property rights of the Company;

(vi) the Company has taken all necessary and commercially reasonable actions to maintain and protect each item of its Intellectual Property, and the Company has taken all reasonable precautions to protect the secrecy, confidentiality, and value of its trade secrets and the proprietary nature and value of the Company's other Intellectual Property, including in each instance requiring any and all of its employees or independent contractors to execute confidentiality and proprietary information Contracts;

(vii) the Company does not use or collect any information from third parties, through its web site or otherwise, in an unlawful manner, or in a manner that in any way violates the privacy rights of its customers; and

(viii) the Company has not at any time used or otherwise exploited any open source software in such a way that creates or purports to create any obligations of the Company with respect to any software or grants or purports to grant to any other Person any rights or immunities under or with respect to any of the Company's Intellectual Property of the Company. As used herein, "open source software" means any software that is licensed under the terms that require source code to be provided or made available to any subsequent licensees or sublicensees (regardless of whether the license restricts source code from being distributed in modified form), including without limitation, the Artistic License, the Mozilla Public License, the GNU GPL and the LGPL.

3.13 Litigation. Except as set forth on Schedule 3.13, there is no demand, claim, suit, action, complaint, arbitration or legal, administrative or other proceeding pending, of which the Company has been notified in writing, or, to the Company's Knowledge, threatened against either of the Precision Companies or any of its respective officers, directors, employees, assets, properties or businesses or relating to the businesses or properties of the Precision Companies or which seek to enjoin or obtain damages with respect to the consummation of the transactions

contemplated hereby. Except as set forth on Schedule 3.13, to the Company's Knowledge, there are no facts, events or circumstances that provide a valid basis for any demand, claim, suit, action, complaint, arbitration or legal, administrative or other proceeding being filed against the Precision Companies. There are no outstanding orders, judgments, injunctions, awards or decrees of any court, arbitrator or other Governmental Authority against either of the Precision Companies or affecting any of their assets or the Business.

3.14 Environmental.

(a) Each of the Precision Companies is and has been in material compliance with all Environmental Laws, which compliance includes obtaining, maintaining and complying with any and all Permits required by Environmental Laws, and reasonably believes, based on current and reasonably expected operations and Environmental Laws, that such Permits will be renewed prior to the expiration of such Permits currently in effect provided timely applications for renewal are made. Each of the Precision Companies has conducted all operations at any of the Real Property and any of the Formerly Owned Real Property in material compliance with all Environmental Laws.

(b) Except for such matters as have been fully and finally resolved and as to which there are no remaining obligations known or reasonably anticipated, each of the Precision Companies has not entered into or agreed to any consent decree, order, or settlement or other agreement, nor is either of the Precision Companies subject to any proceeding or judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum, relating to compliance with or Liability under any Environmental Law.

(c) Each of the Precision Companies has disclosed and made available to the Purchaser, which in respect of any of the following that occurred or was prepared prior to January 1, 2006 is only to the Company's Knowledge, (i) all Phase I reports, environmental audits, and all other evaluations of the condition of the Environment or compliance with Environmental Laws in connection with the Real Property or the operations of the Precision Companies held by the Precision Companies, and (ii) all material records and correspondence in the possession of the Precision Companies relating to Environmental Matters with respect to the Real Property or the operations of the Precision Companies.

(d) Except as set forth in Schedule 3.14(d), neither of the Precision Companies has received written notice from any Governmental Authority within the last ten (10) years alleging that either of the Precision Companies might be potentially responsible for any Release or for any violation of any Environmental Laws.

(e) There are no current events, facts, conditions or circumstances that will result or could reasonably result in any obligation or Liability of the Precision Companies pursuant to any Environmental Laws.

3.15 Tax Matters.

(a) Each of the Precision Companies has filed on a timely basis all Tax Returns required to be filed prior to the Closing in each jurisdiction in which such Precision Company is required to file a Tax Return. All such Tax Returns are complete and accurate in all

material respects. All Taxes due from or payable by the Precision Companies for periods (or portions thereof) ending on or prior to the date of this Agreement have been paid or accrued. All refunds or other payments paid or credited to any Precision Company by a Governmental Authority with respect to Taxes (including without limitation, any refundable tax credits obtained under the ITA or from a province or any other jurisdiction) for periods (or portions thereof) ending on or prior to the date of this Agreement have been validly obtained by the relevant Precision Company and no portion of any such amount is required to be repaid or credited to the relevant Governmental Authority. All installments or other payments on account of Taxes that relate to periods for which Tax Returns are not yet due have been paid on a timely basis. Neither of the Precision Companies is currently the beneficiary of any extension of time within which to file any Tax Return. All Canadian federal or provincial income tax assessments that have been issued to the Precision Companies covering all past periods up to and including the fiscal years ended on or before the date of this Agreement that remain open for assessment, reassessment or additional assessment have been provided to the Purchaser, and all amounts set forth in such assessments have been paid or settled in full. Assessments for all other applicable Canadian federal or provincial Taxes of the Precision Companies that are levied by way of assessment have been issued and any amounts owing thereunder have been paid, and only the time periods described in Schedule 3.15(a) remain open for reassessment of additional Taxes (based on the normal reassessment period). All Canadian federal or provincial Tax returns for all past periods described in Section 3.15(c) have been provided to the Purchaser, and all amounts set forth in any assessments, reassessments or additional assessments in response thereof have been paid or settled in full. There are no actions, objections, appeals, suits or other proceedings or claims in progress, pending or threatened by or against the Precision Companies in respect of any Taxes, and in particular there are no currently outstanding assessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. No claim has ever been made by a Governmental Authority of any jurisdiction where the Precision Companies does not file Tax Returns that either of the Precision Companies is or may be subject to taxation by that jurisdiction. There are no Liens pending on or with respect to any of the assets of the Precision Companies that arose in connection with any failure (or alleged failure) to pay any Taxes.

(b) Each of the Precision Companies has withheld, collected and paid, to the extent required to be paid as of the Closing Date, to the proper Governmental Authority all Taxes required to have been withheld, collected and paid in connection with (i) amounts paid, credited or owing to any employee, independent or dependent contractor, creditor, shareholder, non-resident of Canada or other third party, and (ii) goods and services received from or provided to any Person.

(c) To the Company's Knowledge, except as set out in Schedule 3.15(c) no steps are being taken by any Governmental Authority to assess any additional Taxes against either of the Precision Companies for any period for which Tax Returns have been filed and there are no actual or pending investigations of either of the Precision Companies relating to Taxes of which either of the Precision Companies has received written notice. The Purchaser has been provided with correct and complete copies of all federal and provincial income Tax Returns of the Precision Companies, together with any notices of assessment, examination reports or statements of deficiencies assessed against or agreed to by the Precision Companies for all Pre-Closing Tax Periods commencing on or after October 1, 2007 and ending on or prior

to September 30, 2010, and any correspondence relating thereto, except that the Purchaser has only been provided with correct and complete copies of the Tax Returns for goods and sale Taxes and harmonized sales Taxes for the 2010 and 2011 fiscal years.

(d) Each of the Precision Companies has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to an assessment or deficiency.

(e) Except as set forth on Schedule 3.15(e), each of the Precision Companies (i) is not a party to any Tax allocation or sharing agreement, (ii) has not been a member of an affiliated, combined or unitary group filing a combined, unitary, or other return for Canadian federal, provincial, local or foreign (i.e., non-Canadian) Tax purposes reflecting the income, assets, or activities of any Affiliate or (iii) does not have any Liability for the Taxes of any Person other than the other Precision Company under any provision of Canadian federal, provincial, state, local or foreign (i.e., non-Canadian) law, or as a transferee or successor, or by Contract, or otherwise.

(f) Each of the Precision Companies is not a party to any joint venture, partnership or other arrangement or Contract that could be treated as a partnership for Tax purposes.

(g) Each of the Precision Companies is not a non-resident person within the meaning of the ITA.

(h) The Tax basis of the assets of the Precision Companies by category, including the classification of such assets as being depreciable or amortizable as reflected in their respective Tax Returns and related working papers, is true and correct.

(i) Schedule 3.15(i) sets forth a description of any cash refund received from any Governmental Authority since September 30, 2007 related to any scientific research and experimental development credit or similar Tax credits.

(j) There are no circumstances existing at or prior to the date of this Agreement which could, in themselves, result in the application of any of Sections 80 to 80.03 of the ITA or any equivalent provincial provisions to the Precision Companies; each of the Precision Companies has not made any election pursuant to Section 80.04 of the ITA or any equivalent provincial provision in which it is an eligible transferee; each of the Precision Companies has not filed, nor will file in respect of any Pre-Closing Tax Period an agreement pursuant to Section 191.3 of the ITA or any equivalent provincial provision; and each of the Precision Companies has not claimed and will not in its returns for any Pre-Closing Tax Period claim any reserve under any of Sections 40(1)(a)(iii) or 20(1)(n) of the ITA or any equivalent provincial provision of any amount that could be included in its income for any Tax Period ending after the Closing Date in respect of any such reserve.

3.16 Material Contracts. Set forth on Schedule 3.16(a) is a list of the Material Contracts and all amendments thereto, true and complete copies of which have been made available to the Purchaser. Each of the Material Contracts is a valid and binding obligation of the Company, is in full force and effect, and is enforceable by the Company in accordance with

its terms, except as may be limited by (a) applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws from time to time in effect which affect creditors' rights generally or (b) legal and equitable limitations on the availability of specific remedies. Except as specified on Schedule 3.16(b), the Company is not in default under any Material Contract, nor, to the Knowledge of the Company, is any other party to any such Material Contract in default thereunder nor does any condition exist that with notice or lapse of time or both would constitute a default thereunder. None of the items or issues listed on Schedule 3.16(b) will result in (i) any material Loss to either of the Precision Companies, (ii) any Material Customer ceasing, decreasing or limiting the use or purchase of any of the Company Products or services provided by the Company, or (iii) any Material Customer cancelling or otherwise modifying its relationship with the Company.

3.17 Affiliate Transactions. Set forth on Schedule 3.17 is a list of each Contract pursuant to which (a) any of the Sellers or any of their Affiliates (other than either of the Precision Companies) provides services, including providing any loan or other Indebtedness, or products to either of the Precision Companies or (b) either of the Precision Companies provides services, including providing any loan or other Indebtedness, or products to any of the Sellers or any of their Affiliates (other than either of the Precision Companies). As of the Closing, no obligations or Liabilities of either of the Precision Companies are owing or will be owed as a result of any pre-closing operations or activities to any of the Sellers or any of their Affiliates (except (a) compensation (including accrued vacation and expenses incurred in the Ordinary Course of Business that are reimbursable in accordance with the Company's past practices and policies) owed to a Seller as an employee of the Precision Companies and as accrued and reflected in the Final Net Working Capital, and (b) such obligations or Liabilities of the Precision Companies owed to a Seller under any of the Transaction Documents arising after the Closing).

3.18 Absence of Changes. Since June 30, 2011, except as set forth on Schedule 3.18, or in connection with or as contemplated by this Agreement (including the Seller Closing Step Plan), each of the Precision Companies has not:

(a) breached, terminated, modified, waived any material right under or canceled or failed to renew, or received any written threat to terminate or fail to renew, any Material Contract or other Contract that is or was material to either of the Precision Companies;

(b) experienced any damage, destruction, or loss to any of its assets or property involving in excess of \$25,000 per occurrence or \$100,000 in the aggregate (whether or not covered by insurance);

(c) made any redemptions of or dividends or distributions in respect of its issued and outstanding shares of capital stock;

(d) paid any fee, interest, royalty or any other payment of any kind to any of the Sellers or any of their respective Affiliates, other than the payment to the Sellers who are employees or directors of the Precision Companies of their respective salaries, expense reimbursements and other compensation (including bonuses) for services in connection with such position;

(e) incurred any Indebtedness in excess of \$25,000 (excluding accounts payable), any Lien upon any of its respective assets or any increase in the amount payable by such Precision Company under any credit or loan agreement to which such Precision Company is a party;

(f) except for inventory sold in the Ordinary Course of Business, sold, leased, transferred, or assigned any of its material assets, tangible or intangible, including any Fixed Assets;

(g) made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (other than accounts payable);

(h) granted any license or sublicense of any rights under or with respect to any Intellectual Property;

(i) entered into, modified or terminated any employment Contract or collective bargaining agreement;

(j) reduced its Cash and Cash Equivalents, other than to meet cash needs arising in the Ordinary Course of Business and consistent with past practices;

(k) made any material change in its accounting methods or practices or made any material change in depreciation or amortization policies or rates adopted by it;

(l) materially changed, other than in the Ordinary Course of Business, any of its business policies, including, without limitation, advertising, distributing, marketing, pricing, purchasing, personnel, sales, returns, budget or product acquisition policies;

(m) made any wage or salary increase or bonus, or increase in any other direct or indirect compensation, or any payment or commitment to pay any severance or termination pay to any of its officers, directors, employees, consultants, agents or other representatives, or any accrual for or commitment or agreement to make or pay the same, other than in the Ordinary Course of Business;

(n) except for inventory acquired in the Ordinary Course of Business or the purchase of the Operating Lease Equipment, made any acquisition of all or any part of the assets (including intellectual property), properties, capital stock or business of any other Person;

(o) written off or assigned any of the Company's accounts receivable in which the amount written off is in excess of \$25,000;

(p) engaged in any transaction other than in the Ordinary Course of Business;

(q) suffered a Material Adverse Effect; or

(r) committed to do any of the foregoing.

3.19 Insurance. Set forth on Schedule 3.19(a) is a list of all insurance policies and binders, and insurance risk arrangements maintained in the past five (5) years by either of the Precision Companies, complete copies of which have been made available to the Purchaser. All such policies are in full force and effect, and neither of the Precision Companies is in default, whether as to the payment of premium or otherwise, under the terms of such policies. Such policies include all policies which are required in connection with the operation of the Business as presently conducted by applicable Laws or by the terms of any Contract to which either of the Precision Companies is a party. Except for claims set forth on Schedule 3.19(b), there are no outstanding claims and there have been no claims during the past five years under any such policy or binder. Neither of the Precision Companies has received any notice of cancellation or non-renewal of any such policy, binder or arrangement. There is no material inaccuracy in any application for such policies, binders or arrangements, or any failure to pay premiums when due. Neither of the Precision Companies has received any notice from any of its insurance carriers that any insurance premiums will be materially increased in the future or that any insurance coverage listed on Schedule 3.19(a) will not be available in the future on substantially the same terms as now in effect.

3.20 Employees.

(a) Schedule 3.20(a) contains a complete and accurate list of the names of all individuals who are employees of the Company, whether full-time or part-time, including (i) those employees who are (A) not actively working on the Closing Date due to illness, injury, accident or other disabling condition, or (B) on short-term or long-term leave of absence or on vacation, and (ii) all Persons who may be considered, pursuant to applicable labor agreements or workers' compensation, employment standards or similar legislation or otherwise at Law or in equity to be employees of the Precision Companies or to have reemployment rights with the Precision Companies, specifying (i) with respect to salaried employees, the length of service, age, title, rate of salary (including for the past three years), commission or bonus amounts (including for the past three years for each such employee) and whether such employee is on an active or inactive status, and (ii) with respect to hourly employees, the length of service, age, title, hourly rate (including for the past three years), commission or bonus amounts (including for the past three years for each such employee) and whether such employee is on an active or inactive status.

(b) Schedule 3.20(b) lists (i) all Persons who are currently performing services for the Company who are classified for Tax, labor or employment Law purposes as "consultants" or "independent contractors", (ii) the current rate of compensation of each such Person, and (iii) whether the Company is party to a Contract with such Person. Any such Contracts are also listed on Schedule 3.20(b) and have been made available (or, in the case of agreements that are not in writing, a summary thereof has been delivered) to the Purchaser.

(c) Except as set forth on Schedule 3.20(c), (i) no Management Level Employee has notified or otherwise indicated to the Company that he or she intends to terminate his or her employment with the Company, (ii) no Management Level Employee is a party to or is bound by any employment Contract, patent disclosure agreement, noncompetition agreement or other restrictive covenant or other Contract with any Person other than the Company that would be likely to restrict in any way (A) the performance by such Management Level Employee of any

of his or her current duties or responsibilities as an employee of the Company, or (B) the Business or operations of the Company, and (iii) to the Knowledge of the Company, no Management Level Employee is expected to be unavailable to the Company for any reason following the Closing.

(d) No notice has been received by the Company of any complaint filed by any of its current or former employees against the Company or any current or former officer or director thereof claiming or alleging that the Company or such officer or director has violated any Laws applicable to employee or human rights, or of any complaints or proceedings of any kind involving the Company or any of the employees of the Company before any Governmental Authority, including a labour relations board, tribunal or commission. All levies, assessments and penalties made against the Company pursuant to any Laws applicable to workers' compensation have been paid by the Company, and the Company has not been assessed under any such legislation during the past three (3) years.

(e) Within the past five (5) years, the Company has not engaged in any layoffs or employment terminations that have resulted in or may result in, any violation of any Law or any Liability for the Company (except as disclosed in the Financial Statements).

3.21 Employee Benefits and Related Matters.

(a) Schedule 3.21(a) identifies each retirement, pension, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, incentive or other compensation plan or arrangement or other employee benefit plan that is currently maintained or otherwise contributed to, or required to be contributed to, by the Company for the benefit of employees or former employees of the Company (the "Employee Plans") and a true and complete copy of each Employee Plan has been furnished to the Purchaser. Each Employee Plan has been maintained in compliance with its terms and with the requirements prescribed by any and all Laws that are applicable to such Employee Plan. The Company has delivered to the Purchaser the actuarial valuations, if any, prepared for each Employee Plan during the past three (3) years.

(b) Except as described on Schedule 3.21(b):

(i) all contributions to and payments from each Employee Plan that may have been required to be made by the Company (or for which the Company may be liable for) in accordance with the terms of any such Employee Plan, or with the recommendation of the actuary for such Employee Plan, and, where applicable, with the Laws that govern such Employee Plan, have been made in a timely manner;

(ii) all material reports, returns and similar documents (including applications for approval of contributions) with respect to any Employee Plan required to be filed or caused to be filed by either of the Precision Companies or any of its Affiliates with any Governmental Authority or distributed to any Employee Plan participant have been duly filed on a timely basis or distributed;

(iii) there are no pending investigations by any Governmental Authority involving or relating to an Employee Plan, threatened or pending claims (except for claims for benefits payable in the normal operation of the Employee Plans), suits or proceedings against the Company in respect of any Employee Plan or assertions of any rights or claims to benefits under any Employee Plan that could give rise to a Liability of either of the Precision Companies nor are there any facts that could give rise to any Liability of either of the Precision Companies in the event of such investigation, claim, suit or proceeding;

(iv) no notice has been received by either of the Precision Companies of any complaints or other proceedings of any kind involving either of the Precision Companies or any of the employees of either of the Precision Companies before any pension board or committee relating to any Employee Plan or either of the Precision Companies; and

(v) neither the Purchaser nor any of its associates or affiliates (other than the Company) will incur any Liability with respect to any Employee Plan as a result of the Transactions.

(c) Neither of the Precision Companies has made any Contract with any labour union or employee association or commitments to or conducted negotiations with any labour union or employee association with respect to any future Contracts, and to the Company's Knowledge there are no current, nor has there ever been in the past five (5) years any, attempts to organize or establish any labour union or employee association with respect to any employees of the Company, nor is there any certification of any such union with regard to a bargaining unit.

(d) All accruals for unpaid vacation pay, premiums for employment insurance, health premiums, Canada Pension Plan premiums, accrued wages, salaries and commissions and employee benefit plan payments have been accurately reflected in the Final Net Working Capital in accordance with GAAP and Schedule 2.5.

3.22 Governmental Customer.

(a) Schedule 3.22(a) sets forth all of the governmental customers of the Company who have purchased Company Products for more than \$100,000 (in the aggregate per customer) in any fiscal year during the prior three (3) years (each, a "Material Governmental Customer") and sets forth opposite the name of each such Material Governmental Customer the approximate dollar value of the aggregate purchases of such Material Governmental Customer from the Company and the types of Company Products or services provided during such periods. The relationship of the Company with each such Material Governmental Customer is a good commercial relationship, and during the prior twelve (12) months, no Material Governmental Customer has notified the Company in writing, or to the Company's Knowledge has notified or threatened verbally, that such Material Governmental Customer has ceased, decreased or limited, or will cease, decrease or limit, the use or purchase of any of the Company Products or services provided by the Company. To the Knowledge of the Company, no Material Governmental Customer intends to cancel or otherwise modify its relationship with the Company or to decrease materially or limit its usage or purchase of the Company Products or services of the Company, and the acquisition of the Shares by the Purchaser will not, to the Company's Knowledge, adversely affect the relationship of the Company with any such Material Government Customer.

(b) The Company has not received notice of any, and to the Company's Knowledge there are no, pending or threatened claims against the Company, either by a Governmental Authority or by any original equipment manufacturer, prime contractor, subcontractor, vendor or other Person, arising under or relating to any Government Contract. Except as set forth on Schedule 3.22(b), to the Knowledge of the Company, no Material Governmental Customer has lost or may lose any funding or other support, the loss of which materially adversely affects or may materially adversely affect such Material Governmental Customer's ability to consume or purchase the Company Products or services provided by the Company. Set forth on Schedule 3.22(b) is a description of any governmental funding or grants that the Company has received in the prior two (2) years and except as set forth on Schedule 3.22(b), the Company has complied with all covenants and obligations required of it (or its Affiliates) related to its receipt of any such governmental grants or funding.

3.23 Customers.

(a) Schedule 3.23(a) sets forth the twenty (20) largest non-governmental customers (for purposes of determining an individual customer each division or department of a Person (as reasonably determined internally by the Company) shall be considered a separate and distinct customer) of the Company (as measured by revenues of the Company and the Company's internal means of identifying divisions and departments of Persons) for each of the fiscal years ended September 30, 2009 and September 30, 2010 and for the nine (9) month period ending on the Balance Sheet Date (each, a "Material Customer") and sets forth opposite the name of each such Material Customer the approximate dollar value of the aggregate purchases of such Material Customer from the Company and the types of Company Products or services provided during such periods. The relationship of the Company with each such Material Customer is a good commercial relationship, and during the prior twelve (12) months, no Material Customer has notified the Company in writing, or to the Company's Knowledge has notified or threatened verbally, that such Material Customer has ceased, decreased or limited, or will cease, decrease or limit, the use or purchase of any of the Company Products or services provided by the Company, except as set forth in Schedule 3.23(a). To the Knowledge of the Company, no such Material Customer intends to cancel or otherwise modify its relationship with the Company or to decrease materially or limit its usage or purchase of the Company Products or services of the Company, and the acquisition of the Shares by the Purchaser will not, to the Company's Knowledge, adversely affect the relationship of the Company with any such Material Customer.

(b) Except as set forth on Schedule 3.23(b), there is no currently pending or, to the Company's Knowledge, threatened dispute between the Company and any Material Customer. Except as set forth on Schedule 3.23(b), to the Knowledge of the Company, no Material Customer has lost or is expected to lose any of its customers, the loss of which customer would materially adversely affects such Material Customer's ability and/or obligation to consume or purchase the Company Products or services provided by the Company. None of the items or issues listed on Schedule 3.23(b) will result in (i) any material Loss to either of the Precision Companies, (ii) any Material Customer ceasing, decreasing or limiting the use or purchase of any of the Company Products or services provided by the Company, or (iii) any Material Customer cancelling or otherwise modifying its relationship with the Company.

3.24 Suppliers.

(a) Schedule 3.24(a) sets forth the ten (10) largest suppliers of the Company with respect to materials or products and the ten (10) largest suppliers of the Company with respect to services (each as measured by dollar value of the aggregate purchases of the Company) for each of the fiscal years ended September 30, 2009 and September 30, 2010 and for the nine (9) month period ending on the Balance Sheet Date (each, a "Material Supplier") and sets forth opposite the name of each such Material Supplier the approximate dollar value of aggregate purchases of the Company and types of materials, products or services purchased for such period. The relationship of the Company with each such Material Supplier is a good commercial relationship, and during the prior twelve (12) months, no Material Supplier has notified the Company in writing that such Material Supplier intends to reduce the amount of business it does with the Company from the levels it has historically conducted with the Company or that it intends to terminate its relationship with the Company. To the Knowledge of the Company, no such Material Supplier intends to cancel or otherwise modify its relationship with the Company or to decrease materially or limit its services, supplies or materials provided to the Company, and the acquisition of the Shares by the Purchaser will not, to the Knowledge of the Company, adversely affect the relationship of the Company with any such Material Supplier.

(b) Except as set forth on Schedule 3.24(b), there is no currently pending or, to the Company's Knowledge, threatened dispute between the Company and any Material Supplier. Except as set forth on Schedule 3.24(b), to the Knowledge of the Company, no Material Supplier is subject to any event or condition which is reasonably likely to materially adversely affect such Material Supplier's ability to provide services or products, as applicable, to the Company. None of the items or issues listed on Schedule 3.24(b) will result in (i) any material Loss to either of the Precision Companies, (ii) any Material Customer ceasing, decreasing or limiting the use or purchase of any of the Company Products or services provided by the Company, or (iii) any Material Customer cancelling or otherwise modifying its relationship with the Company.

3.25 Warranties. Except as set forth in Schedule 3.25(a), all products designed, engineered, manufactured, sold or delivered by the Company ("Company Products") have been in conformity with applicable Permits, contractual commitments and all express or implied warranties (other than those implied warranties that may have been effectively disclaimed) except such non-conforming Company Products in respect of which the Company's Liability will not materially exceed the amount thereof for prior periods as reflected in the Audited Financial Statements, provided such claims with respect to non-conforming products are handled following the Closing Date consistent with past practices of the Company. The Company has made available to the Purchaser complete copies of all of the current product warranties of the Company, a list of which are set forth on Schedule 3.25(b), and the Company is not obligated to indemnify any Person for any breach of warranties or representations or otherwise related to the sale of any Company Products or any services provided by the Company, except as set forth in such current product warranties. Except as set forth on Schedule 3.25(c), there are no claims pending, of which the Company has been notified in writing, or to the Company's Knowledge, threatened, against the Company for any warranty obligations and the Company has not received notice of any statements, citations or decisions by any customer, Governmental Authority or other Person stating that any Company Product is defective or unsafe or fails to meet any

standards promulgated by any Permits or any such customer, Governmental Authority or Person. In the last five (5) years there have been no recalls or product returns ordered by any Governmental Authority with respect to any Company Product, and there has been no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against or involving either of the Precision Companies of which the Company has received written notice giving rise or that could give rise to Liability arising out of an injury to any Person or property relating to or resulting from any services provided by the Company or an alleged defect in design, manufacture, materials or workmanship of any Company Product or any alleged failure to warn, or any alleged breach of implied warranties or representations of any such Company Product. Except as set forth on Schedule 3.25(d), to the Knowledge of the Company, there is no (i) fact relating to any Company Product that may impose upon the Company a duty to recall any Company Product or a duty to warn customers of a defect in any Company Product, or (ii) latent or overt design, engineering, manufacturing or other defect in any Company Product.

3.26 Operations.

(a) Cash Accounts; Powers of Attorney. Schedule 3.26(a) lists (i) the name and city of every bank or other financial institution in which any Precision Company maintains an account (whether checking, savings or otherwise), lock box or safe deposit box, (ii) the account number of each such account, and (iii) all authorized signatories with respect to such accounts. Except as set forth on Schedule 3.26(a), none of the Precision Companies has granted any powers of attorney to any Person.

(b) Officers and Directors. A true and complete list of the current officers and members of the board of directors of each Precision Company is set forth on Schedule 3.26(b).

(c) Backlog. Schedule 3.26(c)(i) sets forth a list of the total backlog of open orders and unfilled commitments for the purchase of Company Products under Contracts with the Company in excess of \$10,000 as of the date indicated in such schedule, including the name of the customer, anticipated dates of delivery and Schedule 3.26(c)(ii) sets forth the amounts of any customer deposits held by the Company in connection with orders, current as of the date set forth on such schedule. Such backlog has been created in good faith in accordance with commercially reasonable standards and using sound business practices. Except as set forth on Schedule 3.26(c)(ii), the Company does not hold or is otherwise in possession of any cash deposits or other collateral from or related to customers of the Company or orders or projects to be completed by the Company.

(d) Sufficiency of Assets. The assets and properties that will be owned by the Precision Companies immediately following the Closing and the assets and properties of which the Precision Companies will be a lessee, sublessee or licensee immediately following the Closing constitute all the assets that will be necessary for the Purchaser to continue to operate and conduct the Business immediately following the Closing in all material respects as currently conducted.

3.27 Certain Payments. During the past five (5) years, neither of the Precision Companies, nor any of their respective employees, directors or representatives or any other Person acting for or on behalf of either of the Precision Companies, has directly or indirectly

made any contribution, gift, bribe, payoff, influence payment, kickback, or other similar payment to any Person, private or public, regardless of form, whether in money, property, or services, (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, or (iv) in violation of any applicable Law.

3.28 Brokers and Finders.

(a) Except for C.W. Downer & Co., the fees and expenses of which shall be the responsibility of the Sellers and paid in connection with the Closing as provided in Section 2.4, no broker or investment banker acting on behalf of either of the Precision Companies, any Seller or any of their respective Affiliates or under its or their authority will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly in connection with any of the transactions contemplated herein.

(b) Except as set forth on Schedule 3.28(b), neither of the Precision Companies has incurred or is obligated to pay any Company Transaction Expenses.

3.29 Disclosure Schedules. Any matter required to be disclosed in a Schedule referred to in this Article 3 in order for the representations and warranties to be true and correct shall be deemed to have been disclosed in any other Schedule if one such Schedule cross-references the other.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each Seller individually with respect to only to itself, himself or herself, and the Shares held by it, (i) represents, warrants and covenants that each of the following representations and warranties is true and correct as of the date hereof and (ii) agrees that such representations and warranties shall survive the Closing as provided in Section 8.1.

4.1 Organization; Authority of Sellers. If an entity, such Seller is validly existing and in good standing under the laws of its jurisdiction of organization or incorporation, and has all requisite entity authority to enter into this Agreement and the Transaction Documents to which such Seller is a party and to carry out the transactions contemplated herein (including the sale, assignment and delivery of the Shares pursuant to this Agreement, as applicable) and therein. The execution, delivery and performance by such Seller of this Agreement and the Transaction Documents to which such Seller is a party, and the consummation by such Seller of the transactions contemplated hereby (including the sale, assignment and delivery of the Shares pursuant to this Agreement) and thereby have been duly and validly authorized (by corporate, limited liability company or partnership action or otherwise) on the part of such Seller. This Agreement constitutes and the Transaction Documents to which such Seller is a party, when delivered in accordance with the terms hereof, will constitute, the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with their respective terms.

4.2 Ownership. Each Seller owns beneficially and as of record, and has good and valid title to, the Shares shown as held by such Seller on Schedule 4.2, free and clear of all Liens.

Upon delivery to the Purchaser of the certificates, instruments or agreements, as applicable, representing such Seller's Shares and payment by the Purchaser for such Shares as provided in this Agreement, such Seller will convey to the Purchaser good, valid and marketable title to the Purchased Shares shown as held by such Seller on Schedule 4.2, free and clear of all Liens.

4.3 No Conflicts; Consents and Approvals. The execution and delivery of this Agreement by such Seller does not, and the consummation of the transactions contemplated hereby and performance by such Seller of its obligations hereunder, will not: (a) violate or conflict with any term, condition or provision of (i) any Contract to which such Seller is a party or by which it is bound, or (ii) any Law applicable to such Seller, or (b) result in the creation of any Lien upon any of the Shares or give to others any interest or right in any of the Shares. Except for the Required Consents, no authorization, consent, or approval of, or filing with, any Governmental Authority is required to be obtained or made by any Seller in connection with the execution and delivery of, or performance by any Seller of its obligations under, this Agreement.

4.4 Brokers and Finders. Except for C.W. Downer & Co., the fees and expenses of which shall be the responsibility of the Sellers and paid in connection with the Closing as provided in Section 2.2, no broker or investment banker acting on behalf of such Seller or any of their respective Affiliates or under their authority will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly in connection with any of the transactions contemplated herein.

4.5 Actions and Proceedings. There are no (a) outstanding judgments, orders, writs, injunctions or decrees of any court, arbitration tribunal or other Governmental Authority against such Seller or any of its Affiliates, which have or could have a material adverse effect on the ability of such Seller to consummate the transactions contemplated hereby, or (b) actions, suits, claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of such Seller, threatened against such Seller, which have or could have a material adverse effect on the ability of such Seller to consummate the transactions contemplated hereby.

4.6 Non-Resident. No Seller is a non-resident person within the meaning of the ITA, other than Paul Murphy.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser (i) represents and warrants to the Sellers that each of the following representations and warranties is true and correct as of the date hereof and (ii) agrees that such representations and warranties shall survive the Closing as provided in Section 8.1:

5.1 Authority of the Purchaser. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of organization or incorporation, with all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. The Purchaser has all requisite corporate power and authority to enter into this Agreement and to carry out its obligations under this Agreement. The execution, delivery and performance of this Agreement by the Purchaser have been duly authorized by all necessary corporate action. This Agreement has been duly and

validly executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms.

5.2 Consents and Approvals. The execution and delivery of this Agreement by the Purchaser does not, and the consummation of the transactions contemplated hereby and performance by the Purchaser of its obligations hereunder will not, violate or conflict with any provision of: (i) the organizational documents of the Purchaser; (ii) any material agreement, lease, instrument, mortgage, license or franchise to which the Purchaser or an Affiliate of the Purchaser is a party or by which any of its properties is bound; or (iii) any Law applicable to the Purchaser or an Affiliate of the Purchaser. No authorization, consent or approval of, or filing with, any Governmental Authority is required in connection with the execution and delivery of, or performance by the Purchaser of its obligations under, this Agreement.

5.3 Brokers and Finders. No broker or investment banker acting on behalf of the Purchaser is or will be entitled to any broker's or finder's fee or any other commission or similar fee directly or indirectly in connection with any of the transactions contemplated hereby.

5.4 Actions and Proceedings. There are no (a) outstanding judgments, orders, writs, injunctions or decrees of any Governmental Authority against the Purchaser or any of its Affiliates, which have or could have a material adverse effect on the ability of the Purchaser to consummate the transactions contemplated hereby, or (b) actions, suits, claims or legal, administrative or arbitration proceedings or investigations pending or, to the knowledge of the Purchaser, threatened against the Purchaser or any of its Affiliates, which have or could have a material adverse effect on the ability of the Purchaser to consummate the transactions contemplated hereby.

ARTICLE 6 COVENANTS

6.1 Confidentiality.

(a) The Purchaser acknowledges that the information being provided to it in connection with the transactions contemplated hereby is subject to the terms of the Confidentiality Agreement and that, notwithstanding any other term of the Confidentiality Agreement, any and all information derived from, or relating to, the Information, shall remain subject to the terms and conditions of the Confidentiality Agreement. Notwithstanding the foregoing, but in no way limiting the generality thereof, the terms of the Confidentiality Agreement shall not prevent the Purchaser from using the confidential information (including the Information) governed by the Confidentiality Agreement after the Closing.

(b) At all times from and after the Closing Date, each Seller shall keep secret and maintain in confidence, and shall not use for his or its benefit or for the benefit of others, any trade secrets or confidential or proprietary information relating to the business of either of the Precision Companies or their financial or other affairs, including all Intellectual Property and files and records, other than any of such information that is in the public domain (unless any of such information enters the public domain in whole or in part due to action or inaction of the Sellers). The foregoing shall not prohibit use of such information (i) as is required by Law or (ii)

as is necessary to prepare Tax Returns (including Tax Returns of the Sellers or of any of their Affiliates) or other filings with Governmental Authorities or to defend or object to any reassessment of Taxes.

6.2 Environmental Liability.

(a) The Sellers acknowledge that after the Closing the Company will continue to occupy and operate the Business at the Current Real Property and, in connection with the Closing, the Company will enter into a lease agreement with 104 Oakdale Acquisition Corp. ("OAC") for the lease of the Current Real Property (the "New Lease").

(b) In connection with the New Lease and the continued operation of the Business at the Current Real Property, the Sellers agree that:

(i) the Sellers will not assert that the Precinda Companies are liable for any Environmental Liabilities as a result of the occupancy by the Company of the Current Real Property or the operations of the Business by the Company on the Current Real Property after the Closing unless the Company does not comply with Section 6.2(c) below and such non-compliance is the cause of the applicable Environmental Liabilities;

(ii) that upon the first to occur of (a) the date the Company ceases to occupy the Current Real Property, (b) the second anniversary of the Closing Date, (c) a sale or other transfer by OAC of any interest in the Current Real Property to a third party other than to a Seller or their Affiliate (a "Property Sale"), or (d) a sale or other transfer of control of OAC to a third party other than to a Seller or their Affiliate (a "Stock Sale"), the Seller Representative will either (i) within ninety (90) days of the Company ceasing to occupy the Current Real Property, engage Conestoga-Rovers and Associates or any other qualified environmental consultant reasonably acceptable to the Purchaser (the "Environmental Consultant") to develop a written plan for additional work to be conducted at the Current Real Property (which need not be a full Phase II environmental site assessment) which is reasonably sufficient to determine whether there are any Hazardous Substances if present on or under the Current Real Property or emanating therefrom could reasonably be expected to result in any obligation under Environmental Laws to remediate the Current Real Property or any real property affected by such Hazardous Substances emanating therefrom (the "CRA Work Plan"), obtain the consent of the Company to the CRA Work Plan (such consent not to be unreasonably withheld), and cause the Environmental Consultant to timely complete the CRA Work Plan and to provide a copy of the Environmental Consultant's written report of the findings resulting from the implementation of the CRA Work Plan to the Company at the same time it is delivered to the Seller Representative, or (ii) if the third party involved in the Property Sale or the Stock Sale, as the case may be, engages an environmental firm to conduct invasive testing at the Current Real Property ("Environmental Testing"), provide the Company with a copy of the results of such Environmental Testing promptly upon receipt by OAC; and

(iii) if, in the reasonable opinion of the Company, the Environmental Testing is not reasonably sufficient to determine whether there are any Hazardous Substances present on the Current Real Property or emanating therefrom which would result in any obligation under Environmental Laws to remediate the Current Real Property or any real

property affected by such Hazardous Substances emanating therefrom, the Seller Representative will engage the Environmental Consultant to develop a written proposal for additional work to be conducted at the Current Real Property (which need not be a full Phase II environmental site assessment) which is in the reasonable opinion of the Company is sufficient to determine whether there are any Hazardous Substances if present on or under the Current Real Property or emanating therefrom could reasonably be expected to result in any obligation under Environmental Laws to remediate the Current Real Property or any real property affected by such Hazardous Substances emanating therefrom (but only to the extent not addressed by the Environmental Testing) ("Additional Work"), obtain the consent of the Company to the Additional Work (such consent not to be unreasonably withheld), and cause the Environmental Consultant to timely complete the Additional Work and to provide a copy of the Environmental Consultant's written report of the findings from the Additional Work to the Company at the same time it is delivered to the Seller Representative.

(c) In connection with the continued operation of the Business at the Current Real Property and the covenants of the Sellers describe in Section 6.2(b) above, the Company agrees to:

(i) reimburse the Sellers for reasonable costs and expenses associated with the CRA Work Plan or the Additional Work, as the case may be and if any, up to a maximum amount of \$30,000;

(ii) comply with all Environmental Laws governing a Release of Hazardous Substances if any such Release occurs on the Current Real Property after the Closing Date as a result of the Company's occupancy of the Current Real Property;

(iii) promptly notify the Seller Representative of any Release of Hazardous Substances if any such Releases occurs on the Current Real Property after the Closing Date as a result of the Company's operation of the Business on the Current Real Property; and

(iv) maintain, comply with, and renew any Environmental Permits currently maintained by the Company as required by Environmental Laws.

6.3 Records. Subject to the confidentiality obligations set forth in this Agreement, the Sellers may retain copies of all (i) agreements, documents, books, records and files (collectively, "Records") prepared in connection with the transactions contemplated hereby, (ii) Tax Returns filed prior to the Closing Date and (iii) Tax Returns filed after the Closing Date for any Pre-Closing Tax Periods. The Purchaser agrees that it shall preserve the Records delivered to it for a period of seven (7) years from the Closing Date and shall permit the Seller Representative reasonable access thereto from time to time during such period for the purposes of complying with or determining its rights or obligations under this Agreement or any of the Transaction Documents, including preparation of any such Tax Returns, reviewing any proposed adjustments to the Estimated Purchase Price or Final Purchase Price, or reviewing any claim for indemnification pursuant to ARTICLE 8, and otherwise complying with any obligations under applicable Law.

6.4 D&O Indemnity. In connection with or prior to the Closing, the Company will purchase a run-off (a) directors' and officers' liability insurance policy and (b) employment practices liability insurance policy, each with terms and conditions reasonably acceptable to the Purchaser and for the benefit of the Sellers, the Precision Companies and the present and former directors and officers of the Precision Companies (collectively, the "Run-Off Insurance Policies"). To the extent the costs of the Run-Off Insurance Policies are not paid prior to the Closing Date, such costs will be included in the Company Transaction Expenses. Each Precision Company confirms its obligation to indemnify each of its directors and officers in accordance with its respective bylaws and applicable Law and, for a period of six (6) years following the Closing Date, with respect to the Precision Companies, Purchaser agrees not to and shall cause each of the Precision Companies not to amend the respective articles of organization, bylaws or other analogous organizational documents of any of the Precision Companies in any way to reduce or eliminate the level of indemnification provided by the Precision Companies to the present and former officers and directors of the Precision Companies. This Section 6.4 and the covenants made hereunder shall survive the Closing, and are expressly intended to be for the benefit of, and shall be enforceable by, each of the Sellers and the former or present directors and officers of the Precision Companies and their respective heirs and legal representatives. The indemnification rights provided for herein shall not be deemed exclusive of any other rights to which such person is entitled, whether under law, contract or otherwise.

ARTICLE 7 CLOSING; DELIVERABLES

7.1 Closing. The Closing shall take place at the offices of Cassels Brock & Blackwell LLP located at 2100 Scotia Plaza, 40 King Street West, Toronto, ON M5H 3C2, Canada, and shall be effective as of the first instant of time on the date of this Agreement (the "Closing Date").

7.2 Deliveries of the Precision Companies and the Sellers. Prior to or at the Closing, the Precision Companies and the Sellers shall deliver or cause to be delivered to the Purchaser:

- (a) duly executed resignations of the officers and directors of each of the Precision Companies, as requested by the Purchaser prior to the Closing;
- (b) duly executed Payoff Letters;
- (c) evidence, in form and substance reasonably acceptable to the Purchaser, of the obtainment or satisfaction, as applicable, of the Required Consents;
- (d) a favourable opinion of counsel to the Precision Companies and the Sellers in substance and form reasonably acceptable to the Purchaser;
- (e) a certificate of good standing or equivalent for each of the Precision Companies from such Precision Company's jurisdiction of organization and each jurisdiction in which such Precision Company is registered to conduct business;
- (f) duly executed releases from each of the Sellers, each in substance and form reasonably acceptable to the Purchaser;

(g) duly executed non-competition, non-solicitation and confidentiality agreements from each of the Sellers, each in substance and form reasonably acceptable to the Purchaser;

(h) an employment agreement containing terms and conditions reasonably acceptable to the Purchaser, duly executed by each of the following Persons: Garth Weldon, Andrew Lee and George Koulakian;

(i) the Escrow Agreement, duly executed by the Seller Representative;

(j) release and termination agreements duly executed by any Affiliate of any Seller that is a party or was a party in the past twelve (12) months to any Contract with either of the Precision Companies or to which either of the Precision Companies is indebted to or otherwise is obligated to or was indebted or otherwise obligated to in the past twelve (12) months in any way;

(k) the New Lease, duly executed by OAC;

(l) evidence reasonably acceptable to the Purchaser of OAC's registration for purposes of goods and sales Taxes and harmonized sales Taxes and copies of OAC's registration numbers for payment of such Taxes;

(m) all other Transaction Documents, duly executed by each of the applicable Sellers and/or Precision Companies;

(n) evidence reasonably acceptable to the Purchaser of the Company's purchase of the Operating Lease Equipment;

(o) evidence reasonably acceptable to the Purchaser of the Company's obtainment of the Required Consents set forth on Schedule 7.2(o);

(p) all corporate records and minute books of each of the Precision Companies;

(q) all documentation and other evidence reasonably requested by the Purchaser in order to establish the due authorization of this Agreement, the Transaction Documents and the transaction contemplated hereby and thereby by each of the Precision Companies, including the taking of all corporate proceedings by the boards of directors and shareholders of each of the Precision Companies required to effectively carry out the obligations of such Precision Company pursuant to this Agreement and the Transaction Documents;

(r) the share certificates evidencing the Shares, duly endorsed in blank for transfer;

(s) evidence reasonably acceptable to the Purchaser of the Company's purchase of the Run-Off Insurance Policies; and

(t) any other items required to be delivered by any of the Precision Companies or Sellers under the terms and provisions of this Agreement or as reasonably requested by the Purchaser.

7.3 Deliveries of the Purchaser. At the Closing, the Purchaser shall deliver to the Seller Representative:

- (a) the New Lease, duly executed by the Purchaser;
- (b) confirmations of the wire transfers of immediately available funds required by the terms and conditions of Section 2.2; and
- (c) any other items to be delivered by the Purchaser under the terms and provisions of this Agreement.

7.4 Further Assurances. Each party agrees that he, she or it shall, from time to time after the date of this Agreement, execute and deliver such other documents and instruments and take such other actions as may be reasonably requested by any other party to carry out the transactions contemplated by this Agreement.

ARTICLE 8 SURVIVAL AND INDEMNIFICATION

8.1 Survival. Except for the Fundamental Representations described in the following sentence, the representations and warranties of the parties hereto that are contained in ARTICLES 3, 4 OR 5 of this Agreement shall survive the Closing for a period of eighteen (18) months. The representations and warranties contained in Section 3.14 (Environmental) and Section 3.15 (Tax Matters) shall survive the Closing until the later of (a) the third (3rd) anniversary of the Closing Date and (b) the thirtieth (30th) day following the expiration of the statute of limitations applicable to such environmental or Tax matter, and the remaining Fundamental Representations shall survive the Closing until the third (3rd) anniversary of the Closing Date. Notwithstanding the foregoing, no representation or warranty contained in ARTICLES 3 OR 4 of this Agreement shall survive the Closing for a period greater than five (5) years. The covenants contained in this Agreement shall survive the Closing in accordance with their specific terms and the covenants that do not expire by their terms (including the indemnification and payment obligations in this ARTICLE 8) shall survive the Closing until the fifth (5th) anniversary of the Closing Date; provided, however, that the covenants contained in Article 9 of this Agreement related to the Sellers' obligation to pay and indemnify the Purchaser Indemnified Parties for, any provincial Taxes shall survive the Closing until the thirtieth (30th) day following the normal reassessment period applicable thereto. Any claim of fraud shall survive the Closing indefinitely. Any claims under this Agreement must be asserted by written notice (a "Claim Notice") delivered prior to 5:00 PM ET on the day which is ten (10) days following the expiration of the applicable survival period as set forth in this Section 8.1, and if such Claim Notice is given in compliance with Section 8.6 or a Third Party Notice is given in compliance with Section 8.7, as applicable, prior to such time, the survival period (and any payment or guaranty obligations related thereto) with respect to the claim described in such Claim Notice shall continue until such claim is fully resolved.

8.2 Indemnification by the Sellers. Subject to Section 8.4, from and after the Closing, the Sellers hereby agree to indemnify the Purchaser, its Affiliates, including the Precision Companies, and their respective successors and assigns (each a "Purchaser Indemnified Party" and collectively, the "Purchaser Indemnified Parties"), against any Losses suffered by any Purchaser Indemnified Party to the extent arising out of any of the following:

(a) any breach of or any inaccuracy in, any representation or warranty made by the Precision Companies in this Agreement or any Transaction Document;

(b) any breach of or any inaccuracy in, any representation or warranty made by such Seller in this Agreement or any Transaction Document;

(c) any failure by any Seller to perform or comply with any of the covenants or obligations set forth in this Agreement or any Transaction Document, including any payment obligations set forth in Article 2 or Article 9;

(d) the Identified Matters; and

(e) any fraud by either of the Precision Companies or any Seller.

8.3 Indemnification by the Purchaser. From and after the Closing, the Purchaser agrees to indemnify the Sellers, their Affiliates and their successors and assigns (the "Seller Indemnified Parties") against any Losses suffered by any Seller Indemnified Party to the extent arising out of any of the following:

(a) any breach of or any inaccuracy in any representation or warranty made by the Purchaser in this Agreement at the Closing; and

(b) any breach of or failure by the Purchaser to perform any covenant or obligation of the Purchaser set forth in this Agreement or any Transaction Document delivered by the Purchaser at the Closing.

8.4 Limitations on Liability of the Sellers.

(a) Except with respect to Losses hereunder as a result of or in connection with any breach of or inaccuracy in, any of the Fundamental Representations, no Purchaser Indemnified Party shall be entitled to indemnification pursuant to Sections 8.2(a) or 8.2(b) unless and until the aggregate Losses incurred by all Purchaser Indemnified Parties in respect of all claims under Sections 8.2(a) or 8.2(b) collectively exceeds \$200,000 (the "Basket Amount"), whereupon the Sellers shall be obligated to pay in full (subject to the limitations in Sections 8.4(b) and 8.4(c) below and any other applicable limitations contained herein) all such aggregate Losses, including the Basket Amount.

(b) Except with respect to Losses hereunder as a result of or in connection with any breach of or inaccuracy in, any of the Fundamental Representations, the maximum Liability of the Sellers under Section 8.2(a) for Losses shall equal \$2,000,000 (the "Cap").

(c) The Liability of each of the Sellers under this Agreement shall be limited to each such Seller's proportionate share (based on the percentages and allocations to Common Shares and Preference Shares set forth on Exhibit A attached hereto) of any Losses for which the Purchaser Identified Parties are entitled to indemnification under this Agreement, except for Losses arising from any breach of a representation or warranty in ARTICLE 4, or any fraud committed, by a Seller (collectively, "Individual Seller Losses"), for which only that Seller shall be liable for the full amount of such Individual Seller Losses; provided that in no case shall any Seller be liable for Losses in excess of such Seller's share of the Final Purchase Price as determined in accordance with Schedule 2.2 (the "Individual Proceeds Cap").

(d) In the event that any Purchaser Indemnified Party sustains or incurs Losses, except for Individual Seller Losses, for which it is entitled to indemnification under this Agreement, such Losses shall be recovered or paid from the Escrow Account in accordance with the terms of the Escrow Agreement until such Losses are paid in full or until no funds remain in the Escrow Account, and in the event that any Purchaser Indemnified Party sustains or incurs Individual Seller Losses for which it is entitled to indemnification under this Agreement, such Individual Seller Losses may, at such Purchaser Indemnified Party's election, be recovered directly from Seller responsible for such Individual Seller Losses, be recovered or paid from the Escrow Account in accordance with the terms of the Escrow Agreement until such Losses are paid in full or until no funds remain in the Escrow Account or be recovered through some combination of the foregoing. Further, in the event a Purchaser Indemnified Party recovers any Individual Seller Losses from the Escrow Account in accordance with the foregoing sentence, the Seller responsible for such Individual Seller Losses shall pay the amount of the Individual Seller Losses so recovered from the Escrow Account up to such Seller's Individual Proceeds Cap to the Seller Representative for replenishment of the Escrow Account. In the event the Sellers fail to satisfy in a timely manner any of their payment obligations to the Purchaser pursuant to Section 2.7 of this Agreement and the Purchaser Indemnified Parties recover such amounts owed by the Sellers (the "Purchase Price Adjustment Amounts") from the Escrow Account, (i) the Seller Representative hereby agrees, immediately upon written notice from the Purchaser, to transfer an amount equal to the Purchase Price Adjustment Amounts from the Reserve Account (to the extent available) to (A) the Escrow Agent for deposit into the Escrow Account, or (B) in the event the amount of the Purchase Price Adjustment Amounts exceeds the amount recovered by the Purchaser Indemnified Parties from the Escrow Account, to the applicable Purchaser Indemnified Party and (ii) the Sellers hereby agree to pay the amount of the Purchase Price Adjustment Amounts to the Seller Representative for replenishment of the Escrow Account (in an amount equal to the Purchase Price Adjustment Amounts less the amount transferred from the Reserve Account to the Escrow Account in accordance with the foregoing) and the Reserve Account (in an amount equal to the amounts transferred from the Reserve Account to the Escrow Agent and the Purchaser Indemnified Parties, as applicable, in accordance with the foregoing); for clarity, such replenishments shall be capped when the Escrow Account and Reserve Account have balances of \$1,500,000 and \$500,000, respectively.

(e) After the Closing, the rights to indemnification and payment provided in this ARTICLE 8 (including all limitations contained herein) and/or ARTICLE 9 (including all limitations contained therein) shall be the exclusive remedies for all matters relating to this Agreement, the transactions contemplated hereby and for the breach of any representation, warranty, covenant or agreement contained herein; provided, however, nothing in this

Agreement shall (i) prohibit or prevent any Purchaser Indemnified Party from obtaining specific performance, injunctive relief or any other equitable remedy in connection with or to prevent, the breach of any covenant or obligation by a Seller, and (ii) limit the rights, remedies or claims of any Indemnified Party with respect to any fraud in connection with this Agreement or the transactions contemplated herein.

8.5 Losses.

(a) In the event that a representation, warranty, covenant or obligation contained in this Agreement is qualified by words or phrases such as "material," "materially," "immaterial," "immaterially," "nonmaterial," "material respects," "Material Adverse Effect," "substantially" or words of similar import, such qualifiers, following the Closing, shall be disregarded for purposes of determining whether a breach of such representation, warranty, covenant or obligation has occurred and for calculating the amount of any Losses for which the Purchaser Indemnitees are entitled to indemnification pursuant to this Agreement.

(b) No claim for indemnification may be made by a Purchaser Indemnified Party and no indemnification shall be required to the extent that the full amount of the Losses sustained or incurred by such Purchaser Indemnified Party for which indemnification is sought, and any such claim shall be reduced to the extent a portion of such Losses, were accrued or included as current Liabilities for purposes of computing the Final Net Working Capital.

(c) The amount of any Losses incurred or suffered by an Indemnified Party shall be calculated after giving effect to (i) any insurance proceeds actually received by the Indemnified Party (or any of its Affiliates) with respect to such Losses, less the amount of any increases to premiums for insurance policies as a result of the receipt of such insurance proceeds, and (ii) any other recoveries obtained by the Indemnified Party (or any of its Affiliates) from any other third party. Each Indemnified Party shall exercise commercially reasonable efforts to obtain such proceeds, benefits and recoveries; provided, however, that the Indemnified Parties shall not be obligated to file a lawsuit or initiate any other legal proceeding or expend any funds to obtain such proceeds, benefits or recoveries. If any such proceeds, benefits or recoveries are received by an Indemnified Party (or any of its Affiliates) with respect to any Losses after an Indemnifying Party has made a payment to the Indemnified Party with respect thereto, the Indemnified Party (or such Affiliate) shall pay to the Indemnifying Party the amount of such proceeds, benefits or recoveries (up to the amount of the Indemnifying Party's payment).

(d) Vahan Kololian hereby agrees to (i) unconditionally guaranty the payment and performance of all obligations of Precinda Corp under this Agreement and the Transaction Documents, including any and all indemnification and other payment obligations of Precinda Corp under this Agreement, and (ii) satisfy in full all such obligations of Precinda Corp without any requirement that prior legal action be brought against Precinda Corp; but, for greater certainty, only to the extent such obligations have been finally determined under this Agreement and the remaining Escrow Amount and Reserve Amount, if any, are not sufficient or available to satisfy such obligations of Precinda Corp.

(e) With respect to any Losses incurred or suffered by an Indemnified Party, no Liability shall attach to the Indemnifying Party in respect of any Losses to the extent that the

same Losses have been recovered by the Indemnified Party from any Indemnifying Party, accordingly, the Indemnified Party may only recover once in respect of the same Loss.

8.6 Claims. As promptly as is reasonably practical after becoming aware of a claim for indemnification under this Agreement that does not involve a third party claim, or the commencement of any suit, action or proceeding of the type described in Section 8.7, the Indemnified Party shall give a Claim Notice to the Indemnifying Party of such claim, which notice shall, to the extent such information is reasonably available, specify the facts alleged to constitute the basis for such claim, the representations, warranties, covenants and/or obligations alleged to have been breached and the amount that the Indemnified Party seeks hereunder from the Indemnifying Party, together with such information, to the extent such information is reasonably available, as may be necessary for the Indemnifying Party to determine that the limitations in Section 8.4 have been satisfied or do not apply.

8.7 Notice of Third Party Claims; Assumption of Defense; Settlements.

(a) The Indemnified Party shall give notice (a "Third Party Notice") as promptly as is reasonably practical, but in any event no later than fifteen (15) Business Days after receiving notice thereof, to the Indemnifying Party of the assertion of any claim, or the commencement of any suit, action or proceeding, by any Person not a party hereto in respect of which indemnity may be sought under this Agreement (which notice shall, to the extent such information is reasonably available, specify in reasonable detail the nature and amount of such claim together with such information as may be necessary for the Indemnifying Party to determine that the limitations in Section 8.4 have been satisfied or do not apply). The Indemnifying Party may, at its own expense, (a) participate in the defense of any such claim, suit, action or proceeding, and (b) upon notice to the Indemnified Party at any time during the course of any such claim, suit, action or proceeding, assume the defense thereof with counsel of its own choice; provided, that the Indemnifying Party shall not have the right to settle or compromise such claim, suit, action or proceeding without the prior written consent of the Indemnified Party, unless it involves only a payment of a monetary amount, which is paid in full by the Indemnifying Party and the Indemnified Party receives a full release from such claim. If the Indemnifying Party assumes such defense, the Indemnified Party shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at the Indemnifying Party's own expense, separate from the counsel employed by the Indemnifying Party. Whether or not the Indemnifying Party chooses to defend or prosecute any such claim, suit, action or proceeding, all of the parties hereto shall cooperate in the defense or prosecution thereof.

(b) Notwithstanding anything in Section 8.7(a) to the contrary, the provisions of this Section 8.7(b) shall govern and control any claim, suit, action or proceeding by any Person who is a customer or supplier or potential customer or supplier of the Company (or any of its Affiliates) at the time of the commencement of such claim, suit, action or proceeding (a "Customer/Supplier Claim"). All Customer/Supplier Claims shall be handled in accordance with the following: (i) Purchaser shall control the defense (or other response or contest) of and subject to Section 8.7(c) below, shall have the exclusive right to compromise or settle, all Customer/Supplier Claims; and (ii) Seller Representative, on behalf of the Sellers, shall have the right, but not the obligation, to participate, at the Sellers' expense, in the defense (or other response or contest), compromise or settlement with counsel of its own choosing. Regardless of

whether the Seller Representative elects to participate in such defense (or other response or contest), compromise or settlement, the Sellers and the Seller Representative shall reasonably cooperate with Purchaser in the defense of such Customer/Supplier Claims. If Purchaser shall fail to defend (or otherwise respond or contest) or otherwise protect against such Customer/Supplier Claim in a timely manner, the Seller Representative, on behalf of the Sellers, shall have the right to do so, and make any compromise or settlement thereof.

(c) Purchaser shall not compromise or settle any Customer/Supplier Claim unless, with respect to such compromise or settlement, (i) the Sellers are not required to act or to refrain from acting, other than to indemnify the Purchaser Indemnified Parties in accordance with this Agreement, (ii) Purchaser receives, as a part of such compromise or settlement, a complete release of all Sellers and (iii) Purchaser determines in good faith that the monetary amount to be paid in connection with such settlement is reasonable after taking into account the Customer/Supplier Claim, the facts related thereto, the past practices of the Company in addressing Customer/Supplier Claims and the costs or expenses of not entering into such settlement. Purchaser shall keep the Seller Representative reasonably informed at all stages of the defense and/or compromise or settlement of any Customer/Supplier Claim.

(d) Notwithstanding anything in this Agreement to the contrary, any Contest with a third party shall be handled in accordance with Section 9.6 and not this Section 8.7.

8.8 Purchase Price Adjustments.

(a) Payment by an Indemnifying Party of any amount of Losses owed to an Indemnified Party under this ARTICLE 8 shall be made within ten (10) Business Days following written notice by such Indemnified Party of such Losses being owed or, in the case of any amount thereof in dispute, such later date that such amount has been finally determined in accordance with this Agreement; provided, that in the case of a Loss that is contested in accordance with the provisions of Section 8.7 of this Agreement, payment of such contested Loss will not be considered due earlier than the date a "final resolution" to such effect is made by the applicable court, tribunal or other Governmental Authority. For this purpose, a "final resolution" shall mean, as applicable, the Final Determination, a settlement, compromise, or other agreement with the relevant Person or a decision of any court of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired.

(b) All amounts required to be paid by an Indemnifying Party pursuant to this ARTICLE 8 that are not distributed or paid out of the Escrow Account in accordance with the Escrow Agreement shall be paid promptly in immediately available funds by wire transfer to a bank account designated by the Indemnified Party claiming such payment is owed. Any payments required to be made to an Indemnified Party pursuant to this ARTICLE 8 that are not made within the time period specified in Section 8.8(a) shall bear interest at a rate of twelve percent (12%) per annum until paid in full.

(c) Any amounts payable pursuant to this ARTICLE 8 shall be treated by the Purchaser and the Sellers as an adjustment to the Final Purchase Price.

ARTICLE 9
TAX MATTERS

9.1 Preparation of Tax Returns; Tax Indemnification.

(a) The Purchaser shall prepare (or cause to be prepared), and timely file all Tax Returns of the Precision Companies required to be filed with any Governmental Authority after the Closing Date, other than any Tax Return with respect to Taxes under the ITA or any corresponding Taxes under provincial or other legislation for any Pre-Closing Tax Period ("Pre-Closing Income Tax Returns"). In the case of any Pre-Closing Income Tax Returns, the Seller Representative shall prepare (or cause to be prepared) such Pre-Closing Income Tax Returns in a manner consistent with past practice of the Precision Companies, except as otherwise required by Law, and shall deliver any such Pre-Closing Income Tax Returns to the Purchaser for its review at least thirty (30) days prior to the date such Pre-Closing Income Tax Return is required to be filed. If the Purchaser disputes any item on such Pre-Closing Income Tax Return, it shall notify the Seller Representative of such disputed item (or items) and the basis for its objection, provided that the Purchaser shall not be entitled to dispute the amount of Investment Tax Credits used or refunds applied for so long as the Precision Companies' independent chartered accountant is in agreement that such amount of Investment Tax Credits is reasonable and proper. The parties shall act in good faith to resolve any such dispute prior to the date on which the relevant Pre-Closing Income Tax Return is required to be filed. If the parties cannot resolve any disputed item no later than ten (10) Business Days prior to the date the relevant Pre-Closing Income Tax Return is required to be filed, then the item in question shall be submitted to and resolved by the Neutral Auditor, the fees and expenses of which shall be borne equally by the Sellers, on the one hand, and the Purchaser, on the other, and the Neutral Auditor shall be instructed to resolve such disputed item or items as soon as reasonably practical. The Neutral Auditor's determination shall be final, binding and conclusive and enforceable in any court of competent jurisdiction.

(b) The Purchaser shall pay and be responsible for all Taxes of the Precision Companies owed in connection with any Tax Return for any Tax Period beginning on or after the Closing Date and any post-Closing portion of any Straddle Period, except for any Taxes constituting Losses for which the Purchaser is entitled to indemnification under this Agreement.

(c) From and after the Closing, the Sellers hereby agree to indemnify the Purchaser Indemnified Parties against and hold harmless from any and all Losses arising out of or related to (i) the failure of the Precision Companies to pay any Taxes for any Pre-Closing Tax Periods (other than Accrued Taxes); (ii) the failure of the Precision Companies to accrue or otherwise account for any Accrued Taxes for any Pre-Closing Tax Periods; (iii) without duplication, any Taxes imposed on a Purchaser Indemnified Party as a result of a breach of a representation or warranty set forth in Section 3.15 of this Agreement (without reference to any materiality qualifier with respect thereto as to the determination of a breach or the amount of Losses); (iv) any Taxes arising out of or related to the consummation of any transactions contemplated by this Agreement, including each of the Indemnified Matters, provided that in accordance with Section 8.5(b), to the extent any of such Taxes are reflected as a liability in the calculation of the Final Net Working Capital or Final Transaction Expenses, such amount reflected therein shall not constitute Losses that the Sellers are obligated to indemnify the

Purchaser Indemnified Parties for under this Section 9.1(c); (v) the return or reimbursement by any Precision Company of any refunds received prior to the Closing related to any Investment Tax Credits or any other scientific research and experimental development or other Tax credits; and (vi) any Taxes or other payments required to be paid after the date hereof by either of the Precision Companies to any other Person under any tax sharing agreement (whether written or not) entered into prior to the Closing or by reason of being a successor-in-interest or transferee of another person prior to the Closing. From and after the Closing, the Sellers hereby further agree to pay to the Purchaser Indemnified Parties the amount, if any, by which the aggregate amount of the Investment Tax Credits that the Precision Companies (or the Purchaser or its other Affiliates) are allowed by the applicable Governmental Authority to use following the Closing is less than \$500,000, which shall be the Purchaser's exclusive remedy with respect to amount or use of Investment Tax Credits in any Tax Period other than a Pre-Closing Tax Period (notwithstanding anything contained in Section 3.15 or any other provision of this Agreement).

9.2 Tax Indemnification Procedures.

(a) After the Closing, each of the Purchaser and the Seller Representative, as the case may be, shall promptly notify the other party in writing of any demand, claim or notice of the commencement of any audit or investigation received by such party from any Governmental Authority or any other Person related to any of the Losses or other payment obligations described in Section 9.1(c) (collectively, the "Tax Losses"); provided, however, that a failure to give such notice will not affect any Purchaser Indemnified Party's rights to indemnification under this ARTICLE 9, except to the extent that the Sellers are actually prejudiced thereby. Such notice shall contain factual information (to the extent known) describing the asserted Tax claim or Liability and shall include copies of the relevant portion of any notice or other document received from any Governmental Authority or any other Person in respect of any such asserted Tax claim or Liability.

(b) Payment by the Sellers of any amount of Tax Losses owed to a Purchaser Indemnified Party under this ARTICLE 9 shall be made within ten (10) Business Days following written notice by such Purchaser Indemnified Party of such Tax Losses being owed. In the case of a Tax Loss that is contested in accordance with the provisions of (i) Section 9.1(a) of this Agreement, payment of such contested Tax Loss will not be considered due earlier than the date the Neutral Auditor issues its determination, if applicable, or (ii) Section 9.6 of this Agreement, payment of such contested Tax Loss will not be considered due earlier than the date a "final resolution" to such effect is made by the applicable Governmental Authority, and for this purpose, a "final resolution" shall mean a settlement, compromise, or other agreement with the relevant Governmental Authority, or such procedurally later event, such as a closing agreement with the relevant Governmental Authority or a decision of any court of competent jurisdiction that is not subject to appeal or as to which the time for appeal has expired.

(c) All amounts required to be paid by the Sellers pursuant to this ARTICLE 9 that are not distributed or paid out of the Escrow Account in accordance with the Escrow Agreement shall be paid in immediately available funds by wire transfer to a bank account designated by the Purchaser Indemnified Party claiming such payment is owed. Any payments required to be made pursuant to this ARTICLE 9 that are not made within the time period

specified in Section 9.2(b) shall bear interest at a rate of twelve percent (12%) per annum until paid in full.

9.3 Proration of Taxes. To the extent permitted or required by applicable Law or administrative practice, the books of the Precision Companies shall be closed as of the close of business on the Business Day immediately prior to the Closing Date for purposes of determining the taxable income or loss of the Precision Companies for the Tax Period ending on the Closing Date and the Tax Periods commencing on or after the Closing Date. Whenever it is necessary to determine the Liability for Taxes of the Precision Companies for a portion of a Straddle Period, the determination of the Taxes for the portion of the Straddle Period ending immediately prior to, and the portion of Straddle Period beginning on, the Closing Date shall be determined by assuming that the taxable year ended on the day immediately prior to the Closing Date, except that Taxes, exemptions, allowances or deductions that are calculated on an annual basis shall be prorated on the basis of the number of days in the annual period elapsed prior to the Closing Date as compared to the number of days in the annual period elapsing on and following the Closing Date.

9.4 Cooperation on Tax Matters. Subject to the provisions of Section 9.6, the parties hereto shall cooperate fully, as and to the extent reasonably requested by any other party, in connection with the filing of Tax Returns pursuant to this ARTICLE 9. Such cooperation shall include the retention and (upon a party's request and expense) the provision of copies of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

9.5 Refunds.

(a) Any required amended Pre-Closing Income Tax Return relating to a Pre-Closing Tax Period and any refund claims relating to a Pre-Closing Tax Period shall be prepared and filed (or caused to be prepared and filed) by the Seller Representative and made available for review and approval by the Purchaser, which approval shall not be unreasonably withheld, delayed or conditioned; provided, that the Seller Representative, without the prior approval of the Purchaser, may file (or caused to be filed) any amended Pre-Closing Income Tax Return that the failure to so file would cause additional penalties or other Tax Losses to be incurred by any of the Precision Companies.

(b) Any refunds of Taxes or refunds relating to Investment Tax Credits of the Precision Companies for any Pre-Closing Tax Period ("Pre-Closing Refunds") actually received by the Purchaser or its Affiliates, except for any such Pre-Closing Refunds reflected as an asset in the Final Net Working Capital, shall be for the benefit of the Sellers. In determining the Liability of the Sellers for Taxes, if any, payable in respect of any Pre-Closing Refunds, such Taxes shall be calculated assuming an effective tax rate of 26% and Company's use of the remaining available Investment Tax Credits up to a maximum amount of \$200,000 to reduce any such Taxes otherwise payable after taking all deductions available in calculating the Precision Companies' Taxable income in the year in which the Pre-Closing Refund is received. Any Tax Liability associated with the Pre-Closing Refunds which is not eliminated by the application of the Investment Tax Credits and the deductions (as provided in the preceding sentence) shall be

paid by the Sellers and may be withheld by the Company or the Purchaser from the amount of such Pre-Closing Refund paid to the Sellers.

(c) The Purchaser shall within ten (10) Business Days of any actual receipt by the Purchaser or any of its Affiliates of any Pre-Closing Refunds promptly pay over to the Seller Representative the amount of such Pre-Closing Refunds (subject to the withholding of any Taxes as described above) to which the Sellers are entitled under this Section 9.5. All amounts required to be paid by the Purchaser pursuant to this Section 9.5 shall be paid in immediately available funds by wire transfer to a bank account designated by the Seller Representative. Any payments required to be made pursuant to this Section 9.5 that are not made within the time period specified in this Section 9.5(c) shall bear interest at a rate of twelve percent (12%) per annum until paid in full.

9.6 Audits and Contests with Respect to Taxes.

(a) After the Closing Date, except as provided in sub-clauses (b) and (c) below, the Purchaser shall control the conduct, through counsel of its own choosing, of any audit, claim for refund, or administrative or judicial proceeding involving any asserted Tax Liability or refund with respect to the Precision Companies (any such audit, claim for refund, or proceeding relating to an asserted Tax Liability referred to herein as a "Contest").

(b) In the case of a Contest after the Closing Date that relates solely to Taxes for which the Purchaser is indemnified under Section 9.1, the Seller Representative shall control the conduct of such Contest, but the Purchaser shall have the right to participate in such Contest at its own expense, and no Seller shall be able to settle, compromise and/or concede any portion of such Contest without the consent of the Purchaser; which consent shall not be unreasonably withheld or delayed; provided, that, if the Seller Representative fails to assume control of the conduct of any such Contest within a reasonable period following the receipt by any Seller of notice of such Contest, the Purchaser shall have the right to assume control of such Contest and shall be able to settle, compromise and/or concede such Contest in its sole discretion.

(c) In the case of a Contest after the Closing Date that relates both to Taxes for which the Purchaser is indemnified under Section 9.1 and Taxes for which the Purchaser is not indemnified under Section 9.1, the Purchaser shall control the conduct of such Contest, but the Seller Representative shall have the right to participate in such Contest at its own expense, and the Purchaser shall not settle, compromise and/or concede such Contest, except with respect to any Taxes or Losses that the Purchaser (and its Affiliates) will not look to the Sellers for indemnification for, without the consent of the Seller Representative, which consent shall not be unreasonably withheld or delayed.

9.7 Purchase Price Adjustments. Any amounts payable pursuant to this ARTICLE 9, other than any Pre-Closing Refunds, shall be treated by the Purchaser and the Sellers as an adjustment to the Final Purchase Price.

ARTICLE 10
MISCELLANEOUS

10.1 Expenses. Each party hereto shall bear its own expenses with respect to this transaction. All sales, use, gross receipts, transfer, intangible, recordation, documentary stamp or similar Taxes or charges of any nature whatsoever (including any penalties and interest) (collectively, "Transfer Taxes"), applicable to, or resulting from, the transactions contemplated by this Agreement, if any, shall be paid by the Sellers when due.

10.2 Amendment. This Agreement may be amended, modified or supplemented only in writing signed by the Purchaser and the Seller Representative.

10.3 Notices. Any written notice to be given hereunder shall be given in writing and shall be deemed given: (a) when received if given in person, (b) on the date of transmission if sent by facsimile, e-mail or other wire transmission (receipt confirmed), (c) three (3) days after being deposited with Canada Post Corporation, registered mail, postage prepaid, and (d) if sent by an internationally recognized overnight delivery service, the second day following the date given to such overnight delivery service (specified for overnight delivery). All notices shall be addressed as follows (or at such other address or telecopy numbers for a party as shall be specified by like notice): If to any Seller, to the Seller Representative, addressed as follows:

Precinda Corporation
2 Bloor Street West, Suite 3400
Toronto, Ontario M4W 3E2
Attention: Vahan Kololian
Facsimile: (416) 644-6001
Email: vk@terranovapartners.com

with a copy to:

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, Ontario M5H 3C2
Attention: Stuart English
Facsimile: (416) 640-3203
Email: senglish@casselsbrock.com

If to the Purchaser, addressed as follows:

KKP Acquisition Corp.
c/o River Associates Investments, LLC
1640 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450
Attention: W. Craig Baker
Facsimile: 423.755.0870
Email: cbaker@riverassociatesllc.com

with a copy to:

Miller & Martin PLLC
1000 Volunteer Building
832 Georgia Avenue
Chattanooga, Tennessee 37402
Attention: Jonathan F. Kent
Facsimile: 423.785.8480
Email: jkent@millermartin.com

10.4 Waivers. Subject to the limitations contained in this Agreement, the failure of a party to require performance of any provision hereof shall not affect its right at a later time to enforce the same. No waiver by a party of any term, covenant, representation or warranty contained herein shall be effective unless in writing. No such waiver in any one instance shall be deemed a further or continuing waiver of any such term, covenant, representation or warranty in any other instance.

10.5 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.6 Applicable Law; Venue. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. Subject to Sections 2.7 and 9.2 with respect to the engagement of the Neutral Auditor, the parties hereto hereby irrevocably attorn to the non-exclusive jurisdiction of the courts of Ontario with respect to any matter arising under or related to this Agreement.

10.7 Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided, that no assignment of any party's rights or obligations hereunder may be made without the written consent of (a) in the case of an assignment by a Seller, the Purchaser, and (b) in the case of an assignment by the Purchaser, the Seller Representative, and any such assignment shall provide that the assigning party will continue to be bound by all obligations hereunder as if such assignment had not occurred and perform such obligations to the extent that its assignee fails to do so. Notwithstanding the foregoing, this Agreement and the rights and obligations hereunder may be assigned by the Purchaser without the written consent of the Seller Representative (i) to the Company and/or the Parent following the Closing in connection with the amalgamation of the Purchaser, the Parent and the Company, (ii) to an Affiliate of the Purchaser who holds all of the Shares, and (iii) to a lender of the Purchaser as a collateral assignment in connection with the Closing.

10.8 No Third Party Beneficiaries. Subject to Section 6.4, this Agreement is for the sole benefit of the parties and their permitted successors and assigns and nothing herein expressed or implied shall give or be construed to give to any person, other than the parties and such successors and assigns, any legal or equitable rights hereunder.

10.9 Incorporation. The respective Schedules, Exhibits and Appendices attached hereto and referred to herein are incorporated into and form a part of this Agreement.

10.10 Complete Agreement. This Agreement and the Transaction Documents constitute the complete agreement of the parties with respect to the subject matter hereof and supersede all prior discussions, negotiations and understandings.

10.11 Public Announcements. The Sellers, the Seller Representative and the Purchaser each hereby agree that they and their respective Affiliates shall not issue any press release or otherwise make any public statement or respond to any media inquiry with respect to this Agreement or the transactions contemplated hereby without the prior written approval of the Purchaser in the case of any Seller or the Seller Representative, and the Seller Representative in the case of the Purchaser, which shall not be unreasonably withheld or delayed, except as may be required by Law or by any stock exchanges having jurisdiction over the Precision Companies, the Sellers, the Purchaser or their respective Affiliates.

10.12 Appointment and Authorization of the Seller Representative.

(a) Each of the Sellers hereby constitutes and appoints the Seller Representative as agent and attorney-in-fact for and on behalf of each such Seller, with full powers of substitution (and, if substituted, the Seller Representative will notify the Purchaser in advance of such substitution), to give and receive notices and communications, to agree to, negotiate, enter into settlements and compromises of, and demand dispute resolution and comply with orders and awards of any Governmental Authorities with respect to any claims or other matters that may arise under this Agreement or any other Transaction Documents, and to take all actions and execute all such documents necessary or appropriate in the good faith discretion of the Seller Representative for the accomplishment of the transactions contemplated by this Agreement and the Transaction Documents, including, without limitation, the power:

(i) to receive, hold and distribute the proceeds payable to the any of the Sellers pursuant to this Agreement;

(ii) to execute and deliver the Transaction Documents, and all other agreements, documents and other papers which the Seller Representative deems necessary or appropriate in connection with this Agreement and the Transaction Documents, or any of the transactions contemplated hereby or thereby;

(iii) to terminate, amend, waive or interpret any provision of this Agreement of the Transaction Documents;

(iv) to act for each Seller with regard to the indemnification matters referred to in this Agreement, including, without limitation, the power to negotiate, compromise or settle any claim on behalf of such Seller;

(v) to do or refrain from doing any further act or deed on behalf of each Seller which the Seller Representative deems necessary or appropriate in its sole discretion relating to the subject matter of this Agreement and the other Transaction Documents as fully and completely as such Seller could if personally present; and

(vi) to resolve all Tax matters and all matters relating to the determination of the Estimated Purchase Price and the Final Purchase Price, including without limitation, the issuance of any Notice of Dispute and the representation of the Sellers with respect to matters submitted to the Neutral Auditor.

(b) No bond shall be required of the Seller Representative, and the Seller Representative shall receive no compensation for his services.

(c) Each Seller hereby appoints the Seller Representative such Seller's agent for service of process for all purposes under this Agreement and the Transaction Documents, and agrees that service of any process, summons, notice or document pursuant to Section 10.3 hereof to the Seller Representative at its address set forth in Section 10.3 shall be effective service of process of any action, suit or proceeding brought against such Seller. The Purchaser may, for all purposes of this Agreement and the other Transaction Documents, assume and treat every notice, payment or any other action directed to the Seller Representative as if such notice, payment or other action had been directed to each Seller.

(d) Neither the Seller Representative nor any of its agents, officers, directors, partners or employees shall be liable to any Seller for any error of judgment, or any action taken, suffered or omitted to be taken, under this Agreement and the other Transaction Documents except in the case of gross negligence, willful misconduct or fraud. The Seller Representative may consult with legal counsel independent public accountants or other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts. The Purchaser shall be entitled to rely on all statements, representations, agreements and decisions of the Seller Representative.

(e) By executing and delivering this Agreement, each Seller hereby agrees to indemnify and hold the Seller Representative harmless from any and all Liability, loss, cost, damage or expense (including attorneys' fees) reasonably incurred or suffered as a result of the performance of its duties under this Agreement, except such that arises from the gross negligence or willful misconduct or fraud of the Seller Representative.

(f) A decision, act, consent or instruction of the Seller Representative shall constitute a decision of all Sellers and shall be final, binding and conclusive upon each Seller and may not be appealed. The Purchaser may rely upon any such decision, act, consent or instruction of the Seller Representative as being the decision, act, consent or instruction of each and all Sellers. The Purchaser is hereby relieved from any Liability to any Person for any acts done by it in accordance with such decision, acts, consent or instruction of the Seller Representative. The Sellers hereby release and discharge the Purchaser from and against any Liability arising out of or in connection with the Seller Representative on behalf of the Sellers.

(g) The Seller Representative shall, and the Sellers hereby authorize and shall cause, the Seller Representative to, withhold \$500,000 (the "Reserve Amount") from the portion of the Estimated Purchase Price delivered to the Seller Representative for the benefit of the Sellers in accordance with Section 2.2, which Reserve Amount shall be maintained by the Seller Representative in a segregated account (the "Reserve Account") at The Royal Bank of Canada and not distributed to any Seller or any other Person (other than to the Escrow Agent in

accordance with Section 8.4(d) or a Purchaser Indemnified Party in accordance with this Section 10.12) until the later of (i) the date which is eighteen (18) months after the Closing Date, and (ii) the final resolution of any and all claims for indemnification under this Agreement in respect of which a Claims Notice or Third Party Notice has been given prior to such eighteen (18) month period (which later date is the "Reserve Expiry Date"). The Seller Representative may withhold additional proceeds payable to the Sellers hereunder, including any amounts to be distributed to the Sellers from the Escrow Account for deposit in the Reserve Account as it deems necessary or advisable in its sole discretion to ensure that sufficient funds are on deposit therein to satisfy any amounts owed by Sellers or the Seller Representative hereunder. The Seller Representative will use the funds in the Reserve Account to pay any indemnification claims of a Purchaser Indemnified Party which are in excess of the Escrow Amount. The Seller Representative shall hold, invest, reinvest and disburse the Reserve Account in trust for all of Sellers, and the Reserve Account shall only be used to satisfy any claims of the Purchaser hereunder until the Reserve Expiry Date.

10.13 Waiver of Jury Trial. NO PARTY TO THIS AGREEMENT OR ANY ASSIGNEE, SUCCESSOR, HEIR OR PERSONAL REPRESENTATIVE OF A PARTY SHALL SEEK A JURY TRIAL IN ANY LAWSUIT, PROCEEDING, COUNTERCLAIM OR ANY OTHER LITIGATION PROCEDURE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER AGREEMENTS OR THE DEALINGS OR THE RELATIONSHIP BETWEEN THE PARTIES. NO PARTY WILL SEEK TO CONSOLIDATE ANY SUCH ACTION, IN WHICH A JURY TRIAL HAS BEEN WAIVED, WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT OR HAS NOT BEEN WAIVED. THE PROVISIONS OF THIS SECTION 10.13 HAVE BEEN FULLY DISCUSSED BY THE PARTIES HERETO, AND THESE PROVISIONS SHALL BE SUBJECT TO NO EXCEPTIONS. NO PARTY HERETO HAS IN ANY WAY AGREED WITH OR REPRESENTED TO ANY OTHER PARTY HERETO THAT THE PROVISIONS OF THIS SECTION 10.13 WILL NOT BE FULLY ENFORCED IN ALL INSTANCES.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first set forth above.

COMPANY:

KK Precision Inc.,
an Ontario Corporation

By: [Signature]
Name: VAHAN KOLOLIAN
Title: Chairman

PARENT:

Precinda Inc.,
an Ontario Corporation

By: [Signature]
Name: VAHAN KOLOLIAN
Title: President

SELLERS:

Precinda Corporation,
an Ontario Corporation

By: [Signature]
Name: VAHAN KOLOLIAN
Title: President

Garth Wheldon

George Koulakian

Andrew Lee

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered on the date first set forth above.

COMPANY:

KK Precision Inc.,
an Ontario Corporation

By: _____
Name: _____
Title: _____

PARENT:

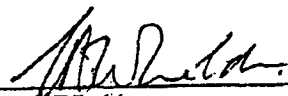
Precinda Inc.,
an Ontario Corporation

By: _____
Name: _____
Title: _____

SELLERS:

Precinda Corporation,
an Ontario Corporation


By: _____
Name: _____
Title: _____



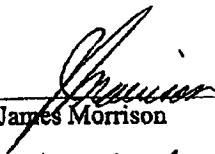
Garth Wheldon





George Koulakian

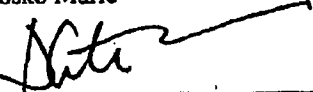


Andrew Lee


James Morrison


Paul Dickinson


Bosko Maric


Dan Cristian

Hariton Garabetian

Ken Beel

William Deluce

Paul Murphy

Dundee Staunton

Glynn Williams


David Williamson

James Morrison

Paul Dickinson

Bosko Maric

Dan Cristian



Hariton Garabetian

Ken Beel

William Deluce

Paul Murphy

Dundee Staunton

Glynn Williams

David Williamson

James Morrison

Paul Dickinson

Bosko Maric

Dan Cristian

Hariton Garabetian


Ken Boel

William Deluce

Paul Murphy

Dundee Staunton

Glynn Williams

David Williamson

James Morrison

Paul Dickinson

Bosko Maric

Dan Cristian

Hariton Garabetian

Ken Beel

William Deluce

Paul Murphy

Dundee Staunton

Glynn Williams

David Williamson

James Morrison

Paul Dickinson

Bosko Maric

Dan Cristian

Hariton Garabetian

Ken Beel

William Deluce

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Dundee Staunton

Glynn Williams

David Williamson

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James Morrison

Paul Dickinson

Bosko Maric

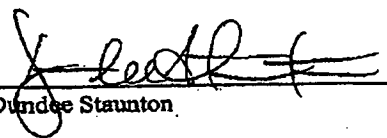
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Dan Cristian

Hariton Garabetian

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William Deluce

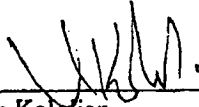
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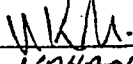
Vahan Kololian hereby acknowledges that he has a beneficial interest in Precinda Corp and is receiving significant benefit as a result of the consummation of the transactions contemplated by this Agreement by virtue of Precinda Corp receiving its share of the Purchase Price and other consideration in accordance with the terms and conditions herein. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Vahan Kololian, on behalf of his heirs and estate, hereby executes this Agreement below for purposes of acknowledging and agreeing to be bound by Section 8.5(d) of this Agreement.



Vahan Kololian

SELLER REPRESENTATIVE:

Precinda Corporation,
an Ontario Corporation

By: 
Name: VAHAN KOLOLIAN
Title: President

PURCHASER

KKP Acquisition Corp.,
an Ontario Corporation

By: _____
W. Craig Baker, Secretary

Vahan Kololian hereby acknowledges that he has a beneficial interest in Precinda Corp and is receiving significant benefit as a result of the consummation of the transactions contemplated by this Agreement by virtue of Precinda Corp receiving its share of the Purchase Price and other consideration in accordance with the terms and conditions herein. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Vahan Kololian, on behalf of his heirs and estate, hereby executes this Agreement below for purposes of acknowledging and agreeing to be bound by Section 8.5(d) of this Agreement.

Vahan Kololian

SELLER REPRESENTATIVE:

Precinda Corporation,
an Ontario Corporation

By: _____
Name: _____
Title: _____

PURCHASER

KKP Acquisition Corp.,
an Ontario Corporation

By:  _____
W. Craig Baker, Secretary

SCHEDULE "B"
ESCROW AGREEMENTS

ESCROW AGREEMENT

ESCROW AGREEMENT (the "Agreement") dated as of September 1, 2011,

BY AND AMONG

KKP ACQUISITION CORP.,
a corporation incorporated under the
laws of the Province of Ontario
(the "Purchaser")

- and -

PRECINDA CORPORATION,
a corporation incorporated under the
laws of the Province of Ontario
(the "Seller Representative")

- and -

**COMPUTERSHARE TRUST COMPANY OF
CANADA,**
a trust company duly qualified to carry on
business in the Province of Ontario
(the "Escrow Agent", and each of the Purchaser,
Seller Representative and the Escrow Agent are
referred to herein as a "Party" and collectively as
the "Parties")

WHEREAS the Purchaser, the Seller Representative, KK Precision Inc. ("KKP"), Precinda Inc. ("Precinda") and the shareholders of Precinda are parties to a share purchase agreement dated as of September 1, 2011 (the "Purchase Agreement"), pursuant to which the Purchaser has agreed to acquire substantially all of the shares of Precinda from the Sellers.

Under the Purchase Agreement, a portion of the purchase price payable by the Purchaser to the Seller Representative, for the benefit of the Sellers, is to be deposited with an escrow agent, to be held on the terms and conditions hereinafter set forth.

WHEREAS the Purchaser and the Seller Representative wish to appoint the Escrow Agent to act as such escrow agent in connection with the Purchase Agreement;

WHEREAS the foregoing recitals are representations and statements of fact made by the Seller Representative and the Purchaser and not by the Escrow Agent;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH THAT, in consideration of the foregoing recitals, the covenants and agreements hereinafter contained and other good and

valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

1. **Definitions.** Capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings assigned to them in the Purchase Agreement. For the purposes of this Agreement, the following terms shall have the following meanings:
 - (a) "Approved Bank" has the meaning specified in Section 4.
 - (b) "Business Day" means any day, other than a Saturday or a Sunday, when Canadian chartered banks are open for regular business in the City of Toronto, Ontario, Canada or New York, New York, U.S.A.
 - (c) "Claims" means any claims for damages suffered by, imposed upon or asserted against a Purchaser Indemnified Party giving rise to indemnification pursuant to Article 8 of the Purchase Agreement or any other claim for indemnification a Purchaser Indemnified Party believes it may have under the Purchase Agreement.
 - (d) "Dispute Notice" has the meaning specified in Section 7(b).
 - (e) "Disputed Amount" has the meaning specified in Section 7(a).
 - (f) "Escrow Account" has the meaning specified in Section 3.
 - (g) "Escrow Amount" means the sum of One Million Five Hundred Thousand Dollars (\$1,500,000) which is initially deposited with the Escrow Agent hereunder, plus (i) any interest or other amounts accrued thereon in accordance with Section 4 and (ii) any additional amounts deposited with the Escrow Agent in accordance with Section 3, less (iii) any amount deducted pursuant to Sections 6 and 7 hereof.
 - (h) "Escrow Period Termination Date" means March 1, 2013.
 - (i) "Loss Notice" has the meaning specified in Section 7(a).
 - (j) "Purchase Agreement" has the meaning specified in the preamble.
 - (k) "Remaining Escrow Amount" means a Disputed Amount that is set aside or required to be set aside by the Escrow Agent pursuant to Section 7(a) with respect to any Loss Notice delivered by the Purchaser prior to the Escrow Period Termination Date but that has not been otherwise paid, settled or resolved on or before the Escrow Period Termination Date.
 - (l) "Resignation Date" has the meaning specified in Section 12(a).
 - (m) "Sellers" means the selling shareholders of Precinda as set forth in the Purchase Agreement.
2. **Appointment of Escrow Agent.** The Seller Representative and the Purchaser hereby appoint the Escrow Agent to act as agent on their behalf pursuant to this Agreement, and the Escrow Agent hereby accepts such appointment on the terms and conditions of this Agreement.

3. **Delivery of the Escrow Amount.** The Purchaser shall remit to the Escrow Agent the Escrow Amount, being initially the sum of \$1,500,000, on receipt of which the Escrow Agent will provide a written acknowledgement to the Purchaser. The Escrow Amount shall be held in a segregated interest bearing trust account (the "Escrow Account") of the Escrow Agent designated in the name of the Seller Representative, on behalf of the Sellers (except as required to be delivered to the Purchaser in accordance with the terms hereof). The Escrow Agent hereby agrees to accept any additional funds delivered by the Seller Representative or a Seller after the date hereof and to deposit such funds in the Escrow Account and hold and distribute such funds as part of the Escrow Amount in accordance with this Agreement.

4. **Placement of Escrow Amount.**

Until released in accordance with this Agreement, the Escrow Amount shall be kept segregated in the records of the Escrow Agent and shall be deposited in one or more interest-bearing trust accounts to be maintained by the Escrow Agent in the name of the Escrow Agent at one or more banks listed in Schedule "A" to this Agreement (each such bank, an "Approved Bank"). The Escrow Agent shall deposit in the Escrow Account interest accruing upon the Escrow Amount at an annual rate which is equal to two percent less than the prime rate of interest announced from time to time by The Bank of Nova Scotia on Canadian dollar loans made to its most credit worthy customers in Canada. Such interest shall be calculated daily and deposited in the Escrow Account within three (3) Business Days of each month-end to be held and distributed as part of the Escrow Amount in accordance with this Agreement. The Escrow Agent shall be entitled to retain for its own benefit, as partial compensation for its services hereunder, any amount of the interest earned on the Escrow Amount that is not payable to the Seller Representative pursuant to this section.

All amounts held by the Escrow Agent pursuant to this Agreement shall be held by the Escrow Agent for the Seller Representative, on behalf of the Sellers (except as required to be delivered to the Purchaser in accordance with the terms hereof), and the delivery of the Escrow Amount to the Escrow Agent shall not give rise to a debtor-creditor or other similar relationship. The amounts held by the Escrow Agent pursuant to this Agreement are at the sole risk of the Seller Representative, on behalf of the Sellers, and, without limiting the generality of the foregoing, the Escrow Agent shall have no responsibility or liability for any diminution of the Escrow Amount which may result from any deposit made with an Approved Bank pursuant to this Section 4, including any losses resulting from a default by the Approved Bank or other credit losses (whether or not resulting from such a default) and any credit or other losses on any deposit liquidated or sold prior to maturity. The parties hereto acknowledge and agree that the Escrow Agent will have acted prudently in depositing the Escrow Amount at any Approved Bank, and that the Escrow Agent is not required to make any further inquiries in respect of any such bank.

At any time and from time to time, the Seller Representative, on behalf of the Sellers, and the Purchaser shall be entitled to jointly direct the Escrow Agent by written notice (a) not to deposit any new amounts in any Approved Bank specified in the notice and/or (b) to withdraw all or any of the Escrow Amount that may then be deposited with any Approved Bank specified in the notice and re-deposit such amount with one or more of such other Approved Banks as specified in the notice. With respect to any withdrawal notice, the Escrow Agent will endeavour to withdraw such amount

specified in the notice as soon as reasonably practicable and the Seller Representative, on behalf of the Sellers, and the Purchaser acknowledge and agree that such specified amount remains at the sole risk of the Seller Representative, on behalf of the Sellers, prior to and after such withdrawal.

5. **Authorized Disbursements.** The Escrow Agent is hereby authorized to disburse funds out of monies constituting the Escrow Amount, only in accordance with Sections 6 or 7.
6. **Release from Escrow.** Subject to Section 7 hereof, the Escrow Amount shall be released by the Escrow Agent as follows:

- (a) at any time upon receipt of a written joint notice from the Purchaser and the Seller Representative substantially in the form attached hereto as Schedule "B", the Escrow Agent shall pay from the Escrow Amount to the Party specified in such notice the amount specified therein;
- (b) in accordance with Section 7 hereof; or
- (c) on the Escrow Period Termination Date to the Seller Representative, except for any Remaining Escrow Amount which shall continue to be held by the Escrow Agent and released only in accordance with the provisions of Section 7 hereof.

7. **Loss Notice; Dispute Notice.**

- (a) **Loss Notice.** If the Purchaser determines that it has a Claim, the Purchaser shall give a written notice of such determination to the Escrow Agent and to the Seller Representative, setting out the reasons for the Claim as well as the amount of the Claim and reasonable details of the calculation of such amount (a "Loss Notice");

Upon receipt of a Loss Notice, the Escrow Agent shall promptly notify the Seller Representative in writing that it has received a Loss Notice, including a copy thereof, and shall set aside from the Escrow Amount the amount claimed in the Loss Notice (the "**Disputed Amount**"). The Escrow Agent shall hold the Disputed Amount until (i) it disburses such amount in accordance with Section 7(b); or (ii) it disburses such amount in accordance with Section 7(c).

- (b) **Dispute Notice.** If the Seller Representative wishes to dispute the Purchaser's Claim under the Loss Notice, the Seller Representative shall, within twenty (20) days of receipt of the Loss Notice from the Escrow Agent, send a signed written notice concurrently to both the Escrow Agent and to the Purchaser stating such dispute and summarizing the basis for such dispute (a "Dispute Notice").

If the Escrow Agent receives a Dispute Notice from the Seller Representative within the requisite twenty (20) day period (any Dispute Notice which is received after such period has expired shall be deemed null and void and shall be ignored by the Escrow Agent), it shall take no further action pursuant to such Loss Notice, until receipt by it of the earlier of (i) a certified copy of a final judgment of a court of competent jurisdiction of the Province of Ontario (together with a certificate of non-appeal) directing the Escrow Agent as to the disposition of the Disputed Amount or (ii) alternatively, receipt by it of joint written instructions signed by the Seller Representative and the Purchaser as to the disposition of the Disputed Amount, in which circumstance the Escrow

Amount shall release the Disputed Amount in accordance with such judgment or instructions, save and except that where the said judgment has been delivered prior to the expiry of the Escrow Period Termination Date and such judgment is in favour of the Sellers, such amount shall no longer be set aside as a "Disputed Amount" and be held by the Escrow Agent for the benefit of the Sellers and the Purchaser (with respect to any other Claims set forth in a Loss Notice) and released in accordance with Section 6. The Escrow Agent shall have no duty to inquire as to the truth of any statements made in a Loss Notice or Dispute Notice nor shall the Escrow Agent have a duty to confirm receipt by the Seller Representative or the Purchaser, as the case may be, of such Loss Notice or Dispute Notice.

- (c) No Dispute Notice. If no Dispute Notice is received by the Escrow Agent within twenty (20) days after delivery by the Escrow Agent of the related Loss Notice to the Seller Representative in accordance with Section 7, then the Escrow Agent shall disburse the Disputed Amount forthwith to the Purchaser.
- 8. No Limitation. The Purchaser's rights and recourses against the Sellers and the Seller Representative for indemnification with respect to any Claims under the Purchase Agreement shall not be replaced, limited or deemed to be waived, in whole or in part, by the exercise of the Purchaser's rights and recourses under this Agreement or any other terms and conditions of this Agreement except to the extent of any payment made by the Escrow Agent to the Purchaser pursuant hereto following delivery of a Loss Notice in respect of such Claim (or to the extent otherwise provided in the Purchase Agreement). Nothing in this Agreement shall expand, supplement or otherwise modify the Purchaser's entitlement to any indemnification under the Purchase Agreement, or any other right to receive a payment from the Sellers, which shall be governed exclusively by the Purchase Agreement.
- 9. Responsibility of Escrow Agent; Indemnification.
 - (a) The Purchaser and the Seller Representative acknowledge and agree that the Escrow Agent acts hereunder as an escrow agent only and (i) shall not be responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of any instrument deposited with it (including, without limitation, the Purchase Agreement), for the form or execution of such instruments, for the identity, authority or right of any Person or Party executing or depositing such instruments or for determining or compelling compliance therewith, and shall not otherwise be bound thereby; (ii) shall be obligated only for the performance of such duties as are expressly and specifically set forth in this Agreement on its part to be performed, and no implied duties or obligations of any kind shall be read into this Agreement against or on the part of the Escrow Agent; (iii) shall not be required to take notice of any default or to take any action with respect to such default involving any expense or liability, unless notice in writing of such default is formally given to the Escrow Agent, and unless it is indemnified and funded, in a manner satisfactory to it, against such expense or liability; (iv) may rely on and shall be protected in acting or refraining from acting upon any written notice, instruction (including, without limitation, wire transfer instructions, whether incorporated herein or provided in a separate written instruction), instrument, statement, certificate, request or other document furnished to it hereunder and believed by it to be genuine and to have been

signed or presented by the proper Person, and shall have no responsibility for determining the accuracy thereof; (v) may employ and consult counsel satisfactory to it, including in-house counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of such counsel; and, (vi) shall not be responsible for delays or failures in performance resulting from acts beyond its control, including without limitation, acts of God, strikes, lockouts, riots, acts of war, epidemics, governmental regulations superimposed after the fact, fire, communication line failures, computer viruses, power failures, earthquakes or other disasters.

- (b) The Escrow Agent may employ such counsel, accountants, engineers, appraisers, other experts, agents, agencies and advisors as it may reasonably require for the purpose of discharging its duties under this Agreement, and the Escrow Agent may act and shall be protected in acting in good faith on the opinion or advice or on information obtained from any such parties and shall not be responsible for any misconduct on the part of any of them. The reasonable costs of such services shall be added to and be part of the Escrow Agent's fee hereunder.
- (c) The Escrow Agent shall retain the right not to act and shall not be held liable for refusing to act unless it has received clear and reasonable documentation which complies with the terms of this Agreement. Such documentation must not require the exercise of any discretion or independent judgment.
- (d) No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur financial liability in the performance of its duties or the exercise of any of its rights or powers unless indemnified as provided for herein, other than as a result of its own gross negligence or bad faith.
- (e) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own gross negligence or bad faith.
- (f) The Escrow Agent shall incur no liability with respect to the delivery or non-delivery of any cash whether delivered by hand, wire transfer, registered mail or bonded courier.
- (g) The forwarding of a cheque by the Escrow Agent will satisfy and discharge the liability for any cash amounts due to the extent of the sum or sums represented thereby (plus the amount of any tax deducted or withheld as required by law) unless such cheque is not honoured on presentation; provided that in the event of non-receipt of such cheque by the payee, or loss or destruction thereof, the Escrow Agent upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it, will issue to such payee a replacement cheque for the amount of such cheque.
- (h) The Purchaser and the Seller Representative shall pay, in equal shares, the costs and expenses of the Escrow Agent's services hereunder, and the costs and expense reasonably incurred by the Escrow Agent in connection with the administration of the escrow created hereby or the performance or observance of

its duties hereunder which are in excess of its compensation for normal services hereunder and covered by the remuneration, including without limitation, all out-of-pocket expenses and disbursements incurred or made by the Escrow Agent in the administration of its services and duties created hereby (including the reasonable fees and disbursements of its outside counsel and other outside advisors required for discharge of its duties hereunder). Any amount owing under this Section and unpaid for more than thirty (30) days after request for such payment will bear interest from the expiration of such thirty (30) days at a rate per annum equal to the then current rate charged by the Escrow Agent, payable on demand. If payment is not received when due, the Escrow Agent shall be entitled to draw down on the Escrow Amount in order to effect such payment and may sell, liquidate, convey or otherwise dispose of any investment for such purpose.

- (i) The Purchaser and the Seller Representative shall jointly and severally indemnify the Escrow Agent and its officers, directors, employees, agents, successors and assigns and hold it and them harmless from and against any loss, fee, claim, demand, penalty, liability, damage, cost and expense of any nature incurred by the Escrow Agent and its officers, directors, employees, agents, successors and assigns arising out of or in connection with this Agreement or with the administration of its duties hereunder, including but not limited to, reasonable attorneys' fees and other costs and expenses of defending or preparing to defend against any claim of liability, unless and except to the extent such loss, liability, damage, cost and expense shall be caused by the Escrow Agent's or its officers', directors', employees', agents', successors' or assigns' gross negligence or bad faith. The foregoing indemnification and agreement to hold harmless shall survive the resignation or removal of the Escrow Agent or the termination of this Agreement. Notwithstanding the foregoing or any other provision of this Agreement, any liability of the Escrow Agent shall be limited, in the aggregate, to the amount of annual retainer fees paid by the Purchaser and the Seller Representative to the Escrow Agent under this Agreement in the twelve (12) months immediately prior to the Escrow Agent receiving the first notice of the claim except any such liability caused by the Escrow Agent's or its officers', directors', employees', agents', successors' or assigns' gross negligence or bad faith.
- (j) Notwithstanding any other provision of this Agreement, and whether such losses or damages are foreseeable or unforeseeable, the Escrow Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.
- (k) The Escrow Agent does not have any interest in the Escrow Amount but is serving as escrow agent only and is not a debtor of the parties hereto in respect of the Escrow Amount.
- (l) The Escrow Agent shall have no duties except those which are expressly set forth herein, and it shall not be bound by any notice of a claim or demand with respect to, or any waiver, modification, amendment, termination or rescission of this Agreement, unless received by it in writing, and signed by the parties hereto and

if its duties herein are affected, unless it shall have given its prior written consent thereto.

- (m) The Escrow Agent accepts the duties and responsibilities under this Agreement as agent, and no trust is intended to be, or is or will be, created hereby and the Escrow Agent shall owe no duties hereunder as trustee.
 - (n) The Escrow Agent will have no responsibility for seeking, obtaining, compiling, preparing or determining the accuracy of any information or document, including the representative capacity in which a Party purports to act, that the Escrow Agent receives as a condition to a release from escrow under this Agreement.
 - (o) This Section 9 shall survive notwithstanding any termination of this Agreement or the resignation or removal of the Escrow Agent.
10. **Dispute Resolution.** It is understood and agreed that should any dispute arise with respect to the delivery, ownership, right of possession and/or disposition of the Escrow Amount, or should any claim be made upon the Escrow Agent or the Escrow Amount by a third party, the Escrow Agent, upon receipt of notice of such dispute or claim, is authorized and shall be entitled (at its sole option and election) to retain in its possession without liability, all or any of said Escrow Amount until such dispute shall have been settled either by the mutual written agreement of the parties involved or by a final order, decree or judgment of a court of competent jurisdiction, the time for perfection of an appeal of such order, decree or judgment having expired. A copy of any such settlement or final order, decree or judgment of a court of competent jurisdiction of the Province of Ontario shall be delivered to the Escrow Agent by the Purchaser or the Seller Representative forthwith upon receipt thereof. The Escrow Agent may, but shall be under no duty whatsoever to, institute or defend any legal proceedings which relate to the Escrow Amount.
12. **Resignation of Escrow Agent; Successor by Merger**
- (a) **Resignation and delivery.** The Escrow Agent may at any time resign as such, subject to this Section 12, by delivering written notice of resignation to the other parties to this Agreement and by delivering the Escrow Amount (less any portion thereof previously distributed in accordance with this Agreement) to any successor escrow agent designated by the Purchaser, with the written consent of the Seller Representative, not to be unreasonably withheld, or by a court of competent jurisdiction, whereupon the Escrow Agent shall be discharged of and from any and all further obligations arising in connection with this Agreement. The resignation of the Escrow Agent will take effect on the earlier to occur of (the "Resignation Date"): (i) the appointment of a successor escrow agent as aforesaid or by a court of competent jurisdiction; or (ii) the day which is thirty (30) days after the date of delivery of the Escrow Agent's written notice of resignation to the other parties hereto, or such shorter notice as the parties accept as sufficient. If the Escrow Agent has not received written notice of the designation of a successor escrow agent by the Resignation Date, the Escrow Agent's sole responsibility after such time shall be to retain and safeguard the Escrow Amount until receipt of written notice of the designation of a successor escrow agent hereunder or pursuant to a final non-appealable order of a court of competent jurisdiction. If a successor escrow agent has not been appointed

within ninety (90) days of the date of the delivery of its written notice of resignation, the Escrow Agent shall deliver the Escrow Amount (less any portion thereof previously distributed in accordance with this Agreement) to the Ontario Superior Court of Justice to be held until a successor escrow agent is designated and all of the Escrow Agent's duties and obligations under this Agreement shall thereupon cease immediately. The Purchaser and the Seller Representative, acting together, shall have power at any time to remove the existing Escrow Agent and to appoint a successor escrow agent.

- (b) **Deduction of fees.** If the Escrow Agent resigns or is removed pursuant to this Section 12, the Escrow Agent shall be entitled, prior to delivery to any Party of the Escrow Amount, to deduct any amounts owing to it in respect to outstanding fees, disbursements and interest thereon whereupon this Agreement shall terminate and the Escrow Agent shall have no further duties and obligations under this Agreement.
- (c) **Incapacity of Escrow Agent.** In the event of the Escrow Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Purchaser and the Seller Representative acting together, shall forthwith appoint a successor escrow agent; failing such appointment by the Purchaser and the Seller Representative, the retiring Escrow Agent, acting alone, may apply, at the expense of the Purchaser and the Seller Representative, to a justice of the Ontario Superior Court of Justice on such notice as such justice may direct, for the appointment of a successor escrow agent; but any successor escrow agent so appointed by the Court shall be subject to removal as aforesaid by the Purchaser and the Seller Representative, acting together.
- (d) **Transfer and delivery; fees.** Any successor escrow agent appointed under any provision of this Section 12 shall be a corporation authorized to carry on the business of a trust company in the Province of Ontario and, if required by the applicable legislation for any other jurisdiction, in such other jurisdictions. On any such appointment, the successor escrow agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Escrow Agent hereunder. At the request of the Purchaser and the Seller Representative or the successor escrow agent, the retiring Escrow Agent, upon payment of the amounts, if any, due to it pursuant to this Agreement, including any amounts owing to it in respect to outstanding fees, disbursements and interest thereon, shall duly assign, transfer and deliver to the successor escrow agent all property and money held, and all records kept, by the retiring Escrow Agent hereunder or in connection herewith.
- (e) **Succession.** Any corporation into or with which the Escrow Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Escrow Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the successor to the Escrow Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as a successor escrow agent hereunder.

13. **Tax Reporting.** The Purchasers and the Seller Representative agree that, for tax reporting purposes, the Escrow Amount including all interest or other taxable income earned from the investment of the Escrow Amount in any tax year shall be taxable to the recipient of such monies, in the taxation year that it was paid or distributed.
14. **Anti-money Laundering.**
- (a) Each Party to this Agreement (other than the Escrow Agent) hereby represents to the Escrow Agent that any account to be opened by, or interest to be held by, the Escrow Agent in connection with this Agreement, for or to the credit of such Party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such Party hereto agrees to complete and execute forthwith a declaration in the Escrow Agent's prescribed form as to the particulars of such third party.
 - (b) The Escrow Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Escrow Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Escrow Agent, in its sole judgment, determine at any time that its acting under this Agreement has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on ten (10) days written notice to the other parties to this Agreement, provided (i) that the Escrow Agent's written notice shall describe the circumstances of such non-compliance; and (ii) that if such circumstances are rectified to the Escrow Agent's satisfaction within such ten (10) day period, then such resignation shall not be effective.
15. **Privacy.** The parties acknowledge that the Escrow Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:
- (a) to provide the services required under this Agreement and other services that may be requested from time to time;
 - (b) to help the Escrow Agent manage its servicing relationships with such individuals;
 - (c) to meet the Escrow Agent's legal and regulatory requirements; and
 - (d) if Social Insurance Numbers are collected by the Escrow Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

Each Party acknowledges and agrees that the Escrow Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of this Agreement for the purposes described above and, generally, in the manner and on the terms described in its Privacy Code, which the Escrow Agent shall make available on its

website or upon request, including revisions thereto. Some of this personal information may be transferred to servicers in the U.S.A. for data processing and/or storage. Further, each Party agrees that it shall not provide or cause to be provided to the Escrow Agent any personal information relating to an individual who is not a Party to this Agreement unless that Party has assured itself that such individual understands and has consented to the aforementioned terms, uses and disclosures.

16. **Notices.** Any written notice to be given hereunder shall be given in writing and shall be deemed given: (a) when received if given in person, (b) on the date of transmission if sent by facsimile, e-mail or other wire transmission (receipt confirmed), (c) three (3) days after being deposited with Canada Post Corporation, registered mail, postage prepaid, and (d) if sent by an internationally recognized overnight delivery service, two (2) days following the date given to such overnight delivery service (specified for overnight delivery). All notices shall be addressed as follows (or at such other address or telecopy numbers for a Party as shall be specified by like notice):

for the Purchaser:

KKP Acquisition Corp.
c/o River Associates Investments, LLC
1640 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450

Attention: Craig Baker
Facsimile: (423) 755-0870
Email: cbaker@riverassociatesllc.com

with a copy to:

Miller & Martin PLLC
1000 Volunteer Building
832 Georgia Avenue
Chattanooga, Tennessee 37402

Attention: Jonathan F. Kent
Facsimile: (423) 785-8480
Email: jkent@millermartin.com

for the Seller Representative:

Precinda Corporation
2 Bloor Street West, Suite 3400
Toronto, Ontario M4W 3E2

Attention: Vahan Kololian
Facsimile: (416) 644-6001
Email: vk@terranovapartners.com

- and -

Attention: Kathleen Vesely
Facsimile: (416) 644-6001
Email: kv@terranovapartners.com

with a copy to:

Cassels Brock & Blackwell LLP
40 King Street West, Suite 2100
Toronto, Ontario M5H 3C2

Attention: Stuart English
Facsimile: (416) 640-3203
Email: senglish@casselsbrock.com

for the Escrow Agent:

Computershare Trust Company of Canada
100 University Avenue, 9th Floor, North Tower
Toronto, Ontario M5J 2Y1

Attention: Manager, Corporate Trust
Facsimile: (416) 981-9777
Email: corporatetrust.toronto@computershare.com

Any such communication shall be deemed to have been validly and effectively given and received on the date of personal delivery or transmission by facsimile or similar means of recorded communication if such date is a Business Day and such delivery was made prior to 5:00 p.m. (Eastern Standard Time) and otherwise on the next Business Day. Any Party to this Agreement may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

17. **Miscellaneous.**

- (a) The section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.
- (b) Unless the context shall otherwise require, the singular shall include the plural and *vice versa*, and each pronoun in any gender shall include all other genders.
- (c) This Agreement may be executed in any number of counterparts and any Party hereto may execute any such counterpart by facsimile (followed by the originally executed document forwarded promptly thereafter to the other Party hereto), each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. This Agreement shall become binding when one or more counterparts taken together shall have been executed and delivered by all of the parties. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

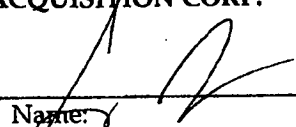
- (d) This Agreement or any provision hereof may be amended or waived only by written instrument duly signed by the Party against whom such amendment or waiver is sought to be enforced.
- (e) No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar), nor shall such waiver be binding unless executed in writing by the Party to be bound by the waiver.
- (f) No failure on the part of the Purchaser or the Seller Representative to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any such right preclude any other or further exercise of such right or the exercise of any other right.
- (g) If one or more of the provisions hereof shall for any reason be held to be invalid, illegal or unenforceable in any respect under applicable law, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein, and the remaining provisions hereof shall remain in full force and effect.
- (h) This Agreement is for the sole and exclusive benefit of the parties hereto, and nothing in this Agreement, express or implied, is intended to confer or shall be construed as conferring upon any other Person any rights, remedies or any other type or types of benefits. The Parties hereby acknowledge that the Purchaser intends to amalgamate with KKP and Precinda immediately following the Closing (as defined in the Purchase Agreement) resulting in an amalgamated corporation known as KK Precision Inc. (the "Amalgamated Entity") and the Amalgamated Entity will have all of the rights of the Purchaser under this Agreement.
- (i) No Party may assign its rights hereunder without the prior written consent of the other parties, except that Purchaser may assign this Agreement in conjunction with a permitted assignment of the Purchase Agreement provided such assignment shall not relieve Purchaser of its obligations under the Purchase Agreement or this Agreement. The Parties hereby acknowledge that the Purchaser intends to amalgamate with KKP and Precinda immediately following the Closing (as defined in the Purchase Agreement) resulting in an amalgamated corporation known as KK Precision Inc. (the "Amalgamated Entity") and the Amalgamated Entity will have all of the rights of the Purchaser under this Agreement.
- (j) This Agreement shall enure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns.
- (k) This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (l) All references herein to money amounts are to lawful money of Canada.

- (m) The Escrow Agent shall have no obligations with respect to tax reporting other than to deliver the required annual statement of interest earned.
 - (n) The Schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it. This Agreement shall override the Schedules attached hereto to the extent of any inconsistency.
 - (o) Any reference to time of day or date means the local time or date in Toronto, Ontario, Canada.
18. **Force Majeure.** No Party shall be liable to the other Parties, or held in breach of this Agreement, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Agreement shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.
19. **Day Not A Business Day.** Whenever any payment shall be due, any period of time shall begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such payment shall be made, such period of time shall begin or end, and such other actions shall be taken, as the case may be, on, or as of, or from a period ending on, the next succeeding Business Day.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first above written.

KKP ACQUISITION CORP.

Per: 
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

PRECINDA CORPORATION

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first above written.

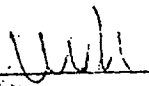
KKP ACQUISITION CORP.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

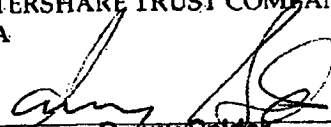
PRECINDA CORPORATION

Per: 
Name: VAHAN KOLOUMIAN
Title: President

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

COMPUTERSHARE TRUST COMPANY OF CANADA

Per: 
Name: Danny Snider
Title: Corporate Trust Officer

Per: 
Name: Kemi Atawo
Title: Corporate Trust Officer

I/We have authority to bind the Corporation

SCHEDULE A
Approved Banks

Bank	Relevant S&P Issuer Credit Rating (as at June 1, 2011)
Bank of Montreal	A+
Citibank NA	A+
Bank of America NA	A+
Harris Bancorp Inc.	A+
PNC Bank NA	A+
Canadian Imperial Bank of Commerce	A+
Bank of Scotland	A+
The Bank of Nova Scotia	AA-
Royal Bank of Canada	AA-
The Toronto-Dominion Bank	AA-

SCHEDULE B
Form of Notice of Release

Date: ●, 20●

TO: Computershare Trust Company of Canada ("Escrow Agent")

Pursuant to Section 6(a) of the Escrow Agreement entered into as of ●, 2011 by and among KK Precision Inc. (formerly known as KKP Acquisition Corp.) ("Purchaser"), Precinda Corporation ("Seller Representative") and the Escrow Agent (the "Escrow Agreement"), you are hereby instructed to release to the ●, out of the Escrow Amount (as defined in the Escrow Agreement), the following amount: \$_____.

KKP ACQUISITION CORP.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

KK PRECISION INC.

Per: _____
Name: _____
Title: _____

Per: _____
Name: _____
Title: _____

I/We have authority to bind the Corporation

SCHEDULE "C"
PRATT AGREEMENTS

Pratt & Whitney Canada Inc.
7000 Marie-Victorin
Longueuil, Québec, Canada J4G 1A1
450-677-9411



Pratt & Whitney Canada

Une société de United Technologies/A United Technologies Company

September 18, 2002

k.k. Precision Industries Inc.
104 Oakdale Road
Downsview, Ontario
M3N 1V9

Attention: George Koulakian

Subject: LTA (Consignment)

Dear Mr. Koulakian,

Enclosed, you will find a set of original documents of the above-mentioned documents.

Kindly sign the enclosed LTA and return (the set) to the attention of the undersigned.
Upon receipt of the documents, P&WC will add the contract number and a copy will be forwarded to KK Precision for your files.

Yours Truly,

Sevag Gosdanian
PRATT & WHITNEY CANADA CORP.
Procurement and Logistics

Tel.: (450) 647-3608
Fax.: (450) 647-9389

C.C.

Claude Millette
Khoren Dimitian
Christian Pregent
Dominic Boutin

PRIVATE AND CONFIDENTIAL

LONG TERM PURCHASE AGREEMENT
ENGINE HARDWARE PRODUCTS

THIS AGREEMENT is made in Longueuil, Quebec as of September 18, 2002, between:

PRATT & WHITNEY CANADA CORP., a Canadian corporation having its head office at 1000 Marie-Victorin Blvd., Longueuil, Quebec, Canada J4G 1A1 (hereinafter called "P&WC")

AND

KK PRECISION, a Canadian corporation having its principal place of business at 104 Oakdale Road, Toronto, Ontario, Canada M3N 1V9 (hereinafter called "Supplier").

WHEREAS P&WC manufactures gas turbine aero-engines and Supplier manufactures products suitable for incorporation in such engines; and

WHEREAS the parties wish to enter into a long term agreement for the supply of products by Supplier to P&WC, provided Supplier meets P&WC's quality, delivery, price and technology requirements and subject to the terms and conditions set forth herein.

THE PARTIES HEREBY AGREE as follows:

1. Definitions

In this Agreement:

- 1.1 "Agreement" means this agreement, Attachments or supplements (signed by both parties) and any other documents incorporated by reference herein;
- 1.2 "Engine" means a gas turbine aero-engine manufactured by P&WC;
- 1.3 "Product Leadtime(s)" means the maximum time mutually agreed by the parties for the Supplier to provide Products and Authorized Consignment Inventory to P&WC's designated destination, after receipt by Supplier of a Purchase Order, Consignment Order or a forecast from P&WC;
- 1.4 "New Product(s)" means a prototype Engine part to be manufactured by Supplier as defined in Article 19 hereof;
- 1.5 "Product(s)" means Engine parts manufactured by Supplier, including their components and related services which fall under one or more of the following categories:
 - 1.5.1 a product listed in Attachment A hereto, as amended or supplemented from time to time; or
 - 1.5.2 any product manufactured by Supplier once such product has, after the date hereof, been sold to P&WC by Supplier whether under a Purchase Order or otherwise; or
 - 1.5.3 any New Product which has gone beyond the prototype stage, has been approved by P&WC as a "Product" and for which the parties have agreed on the supply and price; or
 - 1.5.4 any part of Authorized Consignment Inventory once it has been pulled from consignment for production by P&WC in accordance with sub-paragraph 3.9.4 hereof
- 1.6 "Program" means a P&WC Engine application which may incorporate Supplier's Product(s);
- 1.7 "Purchase Order" means an order for Products issued by P&WC to the Supplier under paragraph 3.2 or 3.3 hereof; and

- 1.8 "Raw Material" means basic materials that compose the Product(s) including, but not limited to, metals, alloys, plastics, rubber or by-products of such materials.
- 1.9 "Authorized Consignment Inventory" shall have the meaning ascribed to such term in sub-paragraph 3.9.3 hereof;
- 1.10 "Consignment Order" means a request for Consignment Inventory issued by P&WC to the Supplier under paragraph 3.9 hereof;
- 1.11 "Consignment Inventory" means any Engine part(s) manufactured by Supplier, including their components and related services, listed in Attachment A hereto, as amended or supplemented from time to time, requested by P&WC pursuant to a Consignment Order, in accordance with the Consignment System.

2. Scope

This Agreement sets out the terms and conditions under which Supplier will sell and P&WC will buy Products. This Agreement applies to all Products to be supplied to P&WC by Supplier, including Products under existing Purchase Orders or other agreements. Unless otherwise specifically agreed to in writing, nothing in this Agreement shall constitute or create any obligation on the part of P&WC to issue Purchase Orders or purchase Products.

3. Delivery

- 3.1 P&WC may issue orders for a given Product from Supplier under either a Purchase Order System as set out in paragraph 3.2, a Short Term Release System under paragraph 3.3, a Pull System under paragraph 3.4, and/or a Consignment System under paragraph 3.9, as notified to Supplier by P&WC from time to time. Supplier shall manufacture the relevant Products and Consignment Inventory within the agreed Product Leadtime once ordered under a Purchase Order further to paragraph 3.2, or once forecasted further to paragraphs 3.3, 3.4, and/or 3.9 as the case may be. P&WC will regularly provide Supplier with forecasts, without obligation, to assist Supplier in its production planning. Each order shall be subject to paragraphs 3.2, 3.3, 3.4, and/or 3.9 as the case may be, and the other terms and conditions contained in this Agreement.
- 3.2 Purchase Order System: P&WC may order Products from Supplier, from time to time, by issuing Purchase Orders. In addition, P&WC reserves the right to re-schedule Purchase Orders or any part of a Purchase Order at any time, at its discretion, by notice to Supplier. The Purchase Orders shall constitute the only authorization for Supplier to manufacture Products for P&WC and the only obligation for P&WC to purchase Products.
- 3.3 Short Term Release System: P&WC may notify Supplier that certain or all Products will be ordered under the Short Term Release System. Upon such notification, the following provisions shall apply to such Products:
- 3.3.1 P&WC will issue forecasts indicating the quantity of Products required over the period of the forecast, followed by Purchase Order(s) to authorize Supplier to deliver specific quantities of Products to P&WC.
- 3.3.2 P&WC's sole liability for Products which are forecasted but not subsequently confirmed by Purchase Order(s) shall be limited to Supplier's work-in-process, calculated in accordance with Article 14 (Termination for Convenience) as if the canceled Products had been covered by Purchase Order(s). In no event shall P&WC have any liability beyond the mutually-agreed Product Leadtime.
- 3.4 Pull System: P&WC may notify Supplier that certain or all Products will be ordered under the Pull System. Upon such notification, the following provisions shall apply to such Products:
- 3.4.1 Supplier shall receive from P&WC a Purchase Order referencing the Product(s) covered and in which shall be set out the particular terms and specifications applicable to such Product(s) without however indicating any quantities or delivery dates (the "Blanket Purchase Order"). Such Blanket Purchase Order will remain open until further notice from P&WC.
- 3.4.2 P&WC will issue, from time to time, long term forecasts indicating the quantities it expects will be required over time for each Product covered by a Blanket Purchase Order. Such forecasts are provided to assist Supplier in its production planning and in meeting P&WC's production requirements and do not in any way constitute an obligation to purchase on P&WC's part.

- 3.4.3 Save for Products which are confirmed by a written authorization to ship issued by P&WC (the "Authorized Products") P&WC shall have the right to reschedule, suspend or cancel, at its discretion, any forecasted Products. Supplier will only be entitled to deliver and P&WC will only be obliged to purchase Authorized Products.
- 3.4.4 P&WC's sole responsibility under this Agreement for Products which are forecasted but not subsequently confirmed as Authorized Products shall be limited to the obligation to purchase Products and work in process for an amount not to exceed the value of the Leadtime Inventory (as established in sub-paragraph 3.4.5 below) upon the issuance by P&WC of a written notice of cancellation relating to said Products, provided such cancellation is not attributable to Supplier's default.
- 3.4.5 "Leadtime Inventory" means those Products for a quantity equal to the sum of all Products contained in each forecast issued during those weeks which fall within the Product Leadtime, calculated retroactively as of the date of said cancellation, divided by the number of forecasts in said leadtime. Subject to the maximum of the value of the Leadtime Inventory (i.e. Leadtime Inventory x agreed unit price for the Product), the payment under sub-paragraph d) to Supplier for P&WC's purchase of Products it has cancelled shall also be subject to the following:
- i) P&WC shall only pay for Products completed before the cancellation notice or completed thereafter in accordance with the notice at the agreed unit price for such Product; and
 - ii) P&WC shall reimburse Supplier for the cost of work-in-process that is justified and substantiated to the satisfaction of P&WC.
- 3.4.6 P&WC shall not be responsible for payment for any work which is or may be rejected after inspection or does not comply with the Purchase Order requirements.
- 3.4.7 Title to all work, materials and tooling paid for or reimbursed by P&WC shall vest in P&WC and shall be promptly delivered by Supplier to P&WC.
- 3.4.8 Supplier shall have no claim for compensation, except as expressly provided above, and shall have no claim for damages or loss of profit as a result of any termination, cancellation or failure to purchase.
- 3.4.9 In the event of a partial termination or cancellation, the price, delivery schedule and other requirements relating to the remainder of forecasts under the Blanket Purchase Order shall not be affected by such termination or cancellation.
- 3.5 Supplier agrees to substantially reduce Product Leadtimes during the term of this Agreement in accordance with targets agreed with P&WC.
- 3.6 Just-in-time deliveries of Products in accordance with P&WC schedules are critical to P&WC production and delays in delivery may cause P&WC manufacturing line stoppages. Accordingly, Supplier recognizes that just-in-time delivery is an essential obligation of this Agreement and Supplier shall ensure, using all means at its disposal, that Products are delivered in accordance with P&WC's schedule requirements. If Supplier is late in shipping Products and P&WC requires premium transportation, Supplier shall ship at Supplier's expense (pre-paid) using P&WC specified carriers. In addition, in the event that Supplier anticipates a delay in delivery, work-in-process and delivery status reports, which shall include the reasons for the delay, shall be immediately provided by Supplier to P&WC. Supplier shall also submit to P&WC a recovery plan on all over-due Products. If Supplier delivers Products earlier than ordered by P&WC, P&WC reserves the right to return them to Supplier at Supplier's cost.
- 3.7 Unless otherwise expressly agreed:
- 3.7.1 title to Products other than those identified in sub-paragraph 1.5.4 hereof shall pass when the Product is delivered at P&WC's plant in accordance with P&WC's shipping instructions. Under the Consignment System, title to those Products identified in sub-paragraph 1.5.4 hereof shall pass when such Product is pulled from consignment for production by P&WC in accordance with sub-paragraph 3.5.4 hereof;
 - 3.7.2 in the case of shipments of Products to third parties directed by P&WC (drop shipments), title shall pass to P&WC when the Product is delivered at the consignee's plant;
 - 3.7.3 P&WC shall pay the transportation costs and be responsible for insurance.

- 3.7.4 Supplier shall bear full responsibility for delays due to documentation improperly completed by Supplier.
- 3.7.5 P&WC shall assume the risk of loss or damage to Products in transit and will compensate Supplier for any such loss or damage, less any amounts claimed by Supplier from the carrier, provided such claims are promptly notified to P&WC; and
- 3.7.6 Subject to the above, any delivery shall be made "FCA Supplier's Plant", with all trade terms dealing with delivery being interpreted using "Incoterms 2000" (as updated from time to time).
- 3.8 Unless otherwise specified in the Purchase Order, Products shall be packaged, preserved, and labeled by Supplier at Supplier's cost. Packaging shall be in accordance with P&WC specifications and any other special requirements specified by P&WC
- 3.9 Consignment System: P&WC may notify Supplier that certain or all Consignment Inventory will be ordered under the Consignment System. Upon such notification, the following provisions shall apply to such Consignment Inventory:
- 3.9.1 Supplier shall receive from P&WC a Consignment Order which will remain open until further notice from P&WC.
- 3.9.2 P&WC will issue, from time to time, long term forecasts indicating the quantities it expects will be required over time for each item of Consignment Inventory covered by a Consignment Order. Such forecasts are provided to assist Supplier in its production planning and in meeting P&WC's production requirements and do not in any way constitute an obligation to purchase on P&WC's part.
- 3.9.3 Save for Consignment Inventory which is confirmed by written authorization to ship (the "Authorized Consignment Inventory") issued by P&WC subsequent to the Consignment Order, Supplier will only be entitled to deliver and P&WC will only be obliged to accept delivery of Authorized Consignment Inventory. P&WC will only be obliged to purchase Authorized Consignment Inventory, subject to and in addition to the other terms and conditions set forth in this Agreement, once it qualifies as a Product within the meaning of sub-paragraph 1.5.4 hereof.
- 3.9.4 Upon arrival of Authorized Consignment Inventory at P&WC dock, it shall be inducted into P&WC Material Requirements Planning system. However, Supplier shall retain title to such inducted Authorized Consignment Inventory until pulled from consignment for production by P&WC. Authorized Consignment Inventory shall be stored in an area at P&WC's plant or other point-of-use location as may be designated by P&WC. Notwithstanding the foregoing, P&WC shall bear the risk of loss or damage to Authorized Consignment Inventory, the whole in accordance with and subject to the provisions set forth in sub-paragraphs 3.7.4, 3.7.5, and 3.7.6, paragraph 3.8, and Article 4 of the Agreement.
- 3.9.5 Transfer of title of Authorized Consignment Inventory under the Consignment System as described in sub-paragraphs 3.7.1 (as amended herein) and 3.9.4 shall constitute P&WC's receipt of Product under the Consignment System for the purposes of this Agreement.
- 3.9.6 P&WC shall keep and maintain a system to track Authorized Consignment Inventory and Product flow through P&WC, including Authorized Consignment Inventory arrival on dock, induction to consignment as described in sub-paragraph 3.9.4 above, and receipt of Product as defined in sub-paragraph 3.9.5 above
- 3.9.7 Notwithstanding any other provision of this Agreement or the Consignment Order and in addition to any other right P&WC may have pursuant to this Agreement, P&WC may unilaterally and unconditionally cancel delivery and/or return all and/or part of Authorized Consignment Inventory or forecasted Consignment Inventory at any time for any reason whatsoever, including but not limited to obsolescence, engineering change and surplus quantities by giving written notice to Supplier. P&WC's sole liability under this Agreement for Consignment Inventory which is forecasted but not subsequently confirmed as Authorized Consignment Inventory or for Authorized Consignment Inventory which is cancelled or returned for any reason whatsoever shall be limited to the obligation to pay the termination or cancellation cost negotiated between the parties for the Consignment Inventory or Authorized Consignment Inventory, as the case may be, and work in process provided that such aggregate amount does not in any circumstances equals and/or exceed the maximum of: (a) for forecasted Consignment Inventory and for Authorized Consignment Inventory which has not been delivered to the P&WC dock, the value of the Consignment Leadtime Inventory (as established in sub-paragraph 3.9.3) upon the issuance by P&WC of a written notice of cancellation or return

relating to such Consignment Inventory or Authorized Consignment Inventory, as the case may be, and (b) for Authorized Consignment Inventory which has been delivered to the P&WC dock, the value per unit of the returned Authorized Consignment Inventory, determined in accordance with the relevant Consignment Order(s) and Attachment "A" hereto. Cancellation and/or return of Consignment Inventory and/or Authorized Consignment Inventory attributable to Supplier's default, shall be governed by sub-paragraph 15.3.6 and not by this sub-paragraph 3.9.7.

3.9.8 "Consignment Leadtime Inventory" means that Consignment Inventory or Authorized Consignment Inventory for a quantity equal to the sum of all Consignment Inventory or Authorized Consignment Inventory contained in each forecast issued during those weeks which fall within the Product Leadtime, calculated retroactively as of the date of said cancellation, divided by the number of forecasts in said leadtime. The maximum value of the Consignment Leadtime Inventory, shall be equivalent to Consignment Leadtime Inventory x the value per unit for the forecasted Consignment Inventory or Authorized Consignment Inventory which has not yet been delivered to the P&WC dock, determined in accordance with the relevant Consignment Order(s) and Attachment "A".

3.9.9 Any payment under sub-paragraph 3.9.7 to Supplier for P&WC's forecasted Consignment Inventory or Authorized Consignment Inventory which has terminated, returned or cancelled shall also be subject to the following:

i) P&WC shall only pay for Consignment Inventory or Authorized Consignment Inventory completed before the cancellation or return notice or completed thereafter in accordance with the notice at the agreed negotiated compensation per unit for such Consignment Inventory or Authorized Consignment Inventory;

ii) P&WC shall reimburse Supplier for the cost of work-in-process that is justified and substantiated to the satisfaction of P&WC;

iii) P&WC shall not be responsible for payment for any work which is or may be rejected after inspection or does not comply with the Consignment Order requirements;

iv) Title to all work, materials and tooling paid for or reimbursed by P&WC shall vest in P&WC and shall be promptly delivered by Supplier to P&WC;

v) Supplier shall have no claim for compensation, except as expressly provided above, and shall have no claim for damages or loss of profit as a result of any termination, cancellation or failure to purchase; and

vi) In the event of a partial termination or cancellation, the price, delivery schedule and other requirements relating to the remainder of forecasts, Consignment Inventory or Authorized Consignment Inventory shall not be affected by such termination or cancellation.

3.9.10 It is understood between the parties hereto that the Consignment Inventory and the Authorized Consignment Inventory shall remain the property of the Supplier until it qualifies as a Product under sub-paragraph 1.5.4 hereof. Since the purpose of this Agreement is to consign material at P&WC's facility in order to provide, amongst other things, sufficient supply of Products to accommodate just-in-time delivery to point-of-use where requested by P&WC, the Supplier agrees to:

i) notify P&WC in writing at least thirty (30) business days prior to the Supplier granting a pledge, security interest, hypothec or other encumbrance of the Authorized Consignment Inventory; and

ii) notify P&WC in writing at least ninety (90) business days prior to recalling from consignment all or any part of the Authorized Consignment Inventory, and, in such circumstances, P&WC shall have the option, to be exercised in its sole discretion, within twenty (20) business days after the receipt of the notice from Supplier set forth in this sub-paragraph to (a) purchase any or all of such Authorized Consignment Inventory under the terms and conditions set forth in this Agreement; and/or (b) return any or all of the Authorized Consignment Inventory to the Supplier at the Supplier's sole cost, without any liability whatsoever to P&WC.

P&WC shall not have the right to use the Consignment Inventory or Authorized Consignment Inventory as collateral in any way until such time as it qualifies as a Product under sub-paragraph 1.5.4 hereof.

4. Warranty

- 4.1 Supplier warrants to P&WC and to buyers of P&WC's products that Products will be free from defects in materials and workmanship, and will also comply with all applicable P&WC specifications.
- 4.2 Products built to Supplier's design shall be free from defects in design, suitable for the purpose intended whether expressed or reasonably implied, such warranty to remain in effect for an unlimited period of time.
- 4.3 Products which do not conform to applicable P&WC specifications shall be immediately replaced with conforming Products. The delay in providing a replacement shall not exceed 24 hours and all shipping cost related to the replacement of the non conforming Product shall be paid by Supplier.
- 4.4 Supplier warrants that Products delivered to P&WC and to buyers of P&WC's products are free from prior claims, liens or encumbrances on title.

5. Quality Assurance

- 5.1 Supplier shall implement a continuous improvement plan to achieve and maintain world-class standards in Supplier's processes and technology. In particular, the plan shall aim to improve quality, optimize batch-size and reduce costs and Leadtime. Results against the plan shall be communicated to P&WC on a regular basis.
- 5.2 Supplier warrants that all Products and Authorized Consignment Inventory furnished to P&WC will comply with P&WC's quality standards and specifications referred to on the applicable Purchase Order, Blanket Purchase Order, Consignment Order or in any other relevant document submitted to Supplier by P&WC. To ensure Product and Authorized Consignment Inventory conformance with applicable specifications, Supplier shall maintain a quality assurance program in accordance with P&WC approved quality standards and shall maintain comprehensive quality records. Supplier shall allow P&WC's representatives to have access to its premises and records, after reasonable notice, in order to allow P&WC to verify Supplier's compliance with its obligations hereunder.
- 5.3 Supplier shall incorporate in its manufacturing processes the P&WC Supplier Process Control System requirements. Supplier shall use appropriate performance indicators to evaluate its own supplier base and provide P&WC with documented evidence of compliance. Supplier shall implement a comprehensive cleanliness program to preclude any Product or related Engine contamination.
- 5.4 Supplier shall notify P&WC of the existence of any scrap Products and make same available for inspection by P&WC. These shall be retained by Supplier for 60 days after notice and then destroyed, unless otherwise directed by P&WC.

6. Price

- 6.1 Pricing terms for Products, including, without limitation, those Products identified in sub-paragraph 1.5.4 hereof (i.e.: price, period covered, Product Leadtime, supply conditions, etc.) are set out in Attachment "A", or supplements thereto, or in distinct agreements signed from time to time by Supplier and P&WC, all of which shall automatically be subject to the terms and conditions of this Agreement. Supplier agrees that no other customer or party shall benefit from prices and conditions more favourable than those offered to P&WC for the supply of similar Products and agrees to provide to P&WC a written confirmation to such effect upon P&WC's request.
- 6.2 Supplier acknowledges that one of the essential considerations of this Agreement is Supplier's capacity to supply Products at both competitive prices and prices which are the lowest possible without affecting quality and delivery schedules. Accordingly, Supplier undertakes to use reasonable efforts to develop and implement a continuous and comprehensive plan to reduce the price of Products throughout the term of this Agreement and to provide a copy of such plan to P&WC from time to time, upon request. The price shall not be dependent upon quantity ordered.
- 6.3 Upon expiry of Attachment A or any other pricing agreement for Products during the term of this Agreement, any price increase in such Products shall be fully substantiated and documented by Supplier and provided to P&WC together with the notice under paragraph 5.5. In the event that no pricing period has been specifically established in writing for a Product, the original selling price applicable for the first sale of such Product to P&WC shall remain the agreed selling price for a period of two years after the date of said initial sale and

thereafter any increase in the requested sale price by Supplier shall be subject to the terms and conditions of this Agreement, including the restrictions set out in this Article 6

- 6.4 In those cases where Supplier's requested price increase is, a) for a factor other than an increase in the cost of Raw Materials; or b) exceeds the increase, if any, in the cost of such Raw Materials during the period between the execution of the last pricing agreement or initial sale, as the case may be, and the date of the above mentioned notice, then, in either case, Supplier shall be deemed to be in default hereunder and in such event, Supplier shall continue to supply its Product(s) at the price specified in the last pricing agreement agreed to by the parties, until a new supplier is able to manufacture and supply Product(s) to P&WC.
- 6.5 The parties agree that the pricing terms set out in the last pricing agreement or initial sale, as the case may be, shall also continue in full force and effect after the expiry of the period covered unless a written notice of intent to renegotiate is received by either party at least 180 days prior to the effective date of any proposed change. Any changes to the pricing terms set out therein shall be fully justified and substantiated as outlined in paragraphs 6.3 and 6.4.
- 6.6 In the event of engineering changes or quality changes by P&WC, Supplier shall substantiate to P&WC any resulting change in the price of Products, and the parties may agree to modify the price of such Products accordingly. Changes to Products proposed by P&WC after certification shall be incorporated without delay and shall be recorded by a supplement to the Purchase Order.
- 6.7 For Products other than those identified in sub-paragraph 1.5.4 hereof, payment shall be due sixty (60) days following P&WC's receipt of invoice or Product, whichever is later. For Products identified in sub-paragraph 1.5.4 hereof, payment shall be due sixty (60) days following transfer of title of such Products, as described in sub-paragraphs 3.7.1 and 3.9.5 herein.
- 6.8 Cost savings proposed by Supplier following Product certification, if approved by P&WC, shall be shared equally between the parties. Such savings shall immediately apply to Products delivered thereafter.
- 6.9 Unless otherwise specifically stated herein, Supplier shall bear its own costs of complying with Supplier's obligations hereunder including value engineering.

7. Taxation

- 7.1 Where applicable, P&WC shall pay the Canadian Federal Goods and Services Tax (GST), the Harmonized Sales Tax (HST), as well as any applicable Provincial Sales Tax directly resulting from the transactions under this Agreement. Such taxes shall be shown separately on all of Supplier's sales invoices.
- 7.2 All payments made by P&WC to a non-resident person of Canada either for the use in Canada of property under this Agreement or with respect to fees, commissions or other amounts in respect of services rendered in Canada, may be subject to withholding taxes as determined by Canadian and Provincial legislation, with appropriate relief provided by applicable Canadian Tax Treaties or Conventions.

8. Offset requirements

- 8.1 P&WC may be required by its customers to fulfill offset or other industrial cooperation obligations in specific countries. These obligations may take the form of technology transfer, purchase of components or services, technical and export assistance or other business transactions.
- 8.2 Supplier agrees to support P&WC in meeting such offset requirements in the amounts and in the countries specified by P&WC. The form of the support shall be agreed between the parties. Supplier shall assist P&WC in obtaining offset credit for Supplier's activities. Any such arrangements shall not affect the Product price.
- 8.3 The amount specified by P&WC under paragraph 8.2 above shall not exceed Supplier's proportionate share of P&WC offset obligations in the countries concerned.
- 8.4 If Supplier is unable to satisfy its obligation under paragraph 8.2 above then P&WC may require Supplier to either
- 8.4.1 compensate P&WC for additional costs or penalties incurred by P&WC due to Supplier's failure to satisfy its obligation; or

8.4.2 participate to an equivalent value in offset activities of P&WC or UTC in another country identified by P&WC

8.5 Each year on 15 January and 15 July Supplier shall report to P&WC on its performance of its agreed offset obligations under this Article.

9. Proprietary Information

9.1 Information or ideas identified in writing as proprietary and disclosed by either party ("disclosing party") to the other ("receiving party") in the implementation of this Agreement or any Purchase Order ("Proprietary Information") shall be treated as confidential. Without prejudice to the generality of the foregoing, Proprietary Information:

9.1.1 shall at all times remain the property of the disclosing party;

9.1.2 shall be protected by the receiving party with at least the same degree of care as the receiving party uses to protect its own confidential or proprietary information against public disclosure;

9.1.3 shall not be reproduced or published or used by the receiving party for any purpose other than as set forth herein; and

9.1.4 shall not be disclosed by the receiving party to any third party unless the disclosing party has given its written consent to such disclosure and the third party has agreed in writing to comply with terms and conditions for the protection of such information as set forth herein.

9.2 The foregoing shall not affect either party's right to use or disclose to others any information which is or may be:

9.2.1 within the public knowledge;

9.2.2 known to the receiving party at the time of disclosure, other than by disclosure by or on behalf of the disclosing party;

9.2.3 disclosed to the receiving party without restriction by a third party (not in breach of any duty or agreement) subsequent to disclosure to the receiving party by the disclosing party; or

9.2.4 developed independently by the receiving party.

9.3 Supplier agrees to not knowingly accept or receive P&WC Proprietary Information from any third party without the written consent of P&WC.

10. Design Information and Intellectual Property

10.1 "Intellectual Property" includes, without limitation, any idea, improvement, invention or discovery, whether or not patented or patentable, any trade secret, any design, trade-mark or copyright, whether or not registered or registrable, and any other proprietary right.

10.2 Intellectual Property or information owned by a party prior to this Agreement shall remain the property of such party.

10.3 Supplier agrees that all information necessary or useful for the production requirements or design of Engines, Products or their components or parts, including without limitation:

10.3.1 information defining the configuration, design features or structural strength of Engines, Products or their components or parts;

10.3.2 designs, dimensions, materials, processes, drawings, prints, specifications, reports or other engineering, technical or business information or data regardless of form;

10.3.3 dimensions, features, materials, markings or tolerances of all equipment, tools, gauges or patterns; and

10.3.4 information in any form bearing any legend declaring that the information is the property of or otherwise proprietary to P&WC,

that is either disclosed to Supplier or generated in connection with this Agreement shall be the exclusive property of P&WC and shall be treated as P&WC Proprietary Information

10.4 Supplier agrees that all Intellectual Property generated in connection with this Agreement by the parties, that is necessary or useful for the production requirements or design of Engines Products or their components or parts, is hereby owned by P&WC and shall be treated as P&WC Proprietary Information. Supplier shall promptly inform P&WC of any such Intellectual Property and shall execute or have executed all papers and do such acts as are necessary for P&WC to perfect its rights therein.

11. Use and Disposal of P&WC Property and Proprietary Information

11.1 Supplier agrees that anything provided by P&WC including, but not limited to, P&WC Proprietary Information, tooling, raw materials and equipment, shall remain the property of P&WC ("P&WC Property"). Supplier shall clearly and appropriately identify all P&WC Property as being such at all stages of its possession by Supplier.

11.2 Tooling purchased by Supplier for the purposes of this Agreement shall be P&WC Property.

11.3 Supplier shall not use P&WC Property for purposes other than for performing its obligations under this Agreement. Without limiting the generality of the foregoing, Supplier shall not use P&WC Property to design, manufacture or repair Products or any detail of Products, compare Products or design of Products, or obtain FAA Parts Manufacturer Approval or other government approval to manufacture Products, without P&WC's express written consent.

11.4 Upon completion or termination of a Purchase Order or this Agreement, or at any time upon P&WC's request, Supplier shall, at Supplier's expense, make such disposition of any or all P&WC Property, including all copies, documents, models or records or other information which may be used to reproduce such Property, as P&WC may direct.

11.5 P&WC shall have the right to audit Supplier's records, and those of Supplier's subcontractors under this Agreement and to make reasonable inspection of Supplier's premises, to review Supplier's compliance with the terms of this Agreement including more particularly Articles 9, 10 and 11 hereunder.

12. Compliance

12.1 In the performance of this Agreement and Purchase Orders, Supplier shall comply in all aspects, and shall take all reasonable steps to ensure compliance by its sub-contractors, with the principles established in the United Technologies Corporation Code of Ethics as well as the Policy Statement on doing business with the US Government, copies of which have been given to Supplier by P&WC, as may be updated from time to time.

12.2 For programs involving the supply of goods or services to the US Government, Supplier shall accept the flow-down of applicable Federal Acquisition Regulations and shall maintain the capability to meet all of the requirements of such regulations including, without limitation, requirements as to cost and pricing data, truth in negotiation and procurement integrity.

12.3 The Supplier hereby represents and warrants that in fulfilling its obligations under this Agreement, it shall comply fully with all applicable laws, statutes, regulations or ordinances, including, without limitation, those relating to the environment.

13. Anti-Kickback Procedures

13.1 In this Article, "Kickback" means any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any contractor, subcontractor or any of their officers, partners, employees or agents, for the purpose of improperly obtaining or rewarding favorable treatment in connection with a US Government contract

13.2 In the performance of, or otherwise in connection with, this Agreement or any Purchase Order no person shall:

- 13.2.1 provide, or attempt or offer to provide, any Kickback;
- 13.2.2 solicit, accept or attempt to accept any Kickback; or
- 13.2.3 include, directly or indirectly, the amount of any Kickback in a contract or subcontract price.
- 13.3 Supplier shall have in place and follow reasonable procedures designed to prevent and detect possible violations described in paragraph 13.2 above in its own operations and direct business relationships.
- 13.4 When Supplier has reasonable grounds to believe that a violation described in paragraph 13.2 above may have occurred, Supplier shall promptly report the possible violation in writing to the P&WC Compliance Officer who will make further notifications as necessary.
- 13.5 Supplier shall cooperate fully in any investigation of a possible violation.
- 13.6 Regardless of the subcontract tier at which a Kickback may have been provided, accepted or charged in violation of paragraph 13.2 above, P&WC may:
 - 13.6.1 offset the amount of the Kickback against any moneys owed by P&WC under this Agreement or a Purchase Order;
 - 13.6.2 direct that Supplier withhold the amount of the Kickback from sums owed to its subcontractor; or
 - 13.6.3 order that moneys withheld under subparagraph 13.6.2 be paid over to P&WC, unless P&WC has already offset those moneys under subparagraph 13.6.1.
- 13.7 Supplier shall incorporate the substance of this Article, including this paragraph 13.7, in its subcontracts.
- 13.8 Supplier represents and warrants to P&WC that neither Supplier nor any of its subcontractors, has:
 - 13.8.1 provided, or attempted or offered to provide, any Kickback;
 - 13.8.2 solicited, accepted or attempted to accept any Kickback; or
 - 13.8.3 included, directly or indirectly, the amount of any Kickback in the price applicable under this Agreement or a Purchase Order, or in the subcontract price charged by any subcontractor to a higher tier subcontractor.
- 13.9 In addition to any other remedies that P&WC may have, Supplier shall indemnify and hold harmless P&WC from and against any loss or damage including, without limitation, P&WC's costs, attorney's fees or any fines or penalties assessed against P&WC resulting from a violation of this Article by Supplier or any of its subcontractors.

14. Termination for Convenience

- 14.1 Notwithstanding any other provision of this Agreement or the Purchase Order, P&WC may terminate or cancel all or part of any Purchase Order at any time by giving notice in writing to Supplier. Upon receipt of such notice, Supplier shall promptly cease all work under the Purchase Order, including the manufacture and procurement of materials and any sub-contracts, in accordance with the notice.
- 14.2 In such event (except for orders under the Pull System which shall be governed by paragraph 3.4 and for orders under the Consignment System which shall be governed by paragraph 3.9):
 - 14.2.1 The work completed before the notice or completed thereafter in accordance with the notice shall be paid for by P&WC at the rate for such Product;
 - 14.2.2 P&WC shall reimburse Supplier for the cost of work-in-process that is justified and substantiated to the satisfaction of P&WC;
 - 14.2.3 P&WC shall not be responsible for payment for any work which is or may be rejected after inspection or does not comply with the Purchase Order requirements;
 - 14.2.4 title to all work, materials and tooling paid for or reimbursed by P&WC shall vest in P&WC and shall be promptly delivered by Supplier to P&WC;

- 14.2.5 Supplier shall have no claim for compensation except as expressly provided above, and shall have no claim for damages or loss of profit as a result of the termination, cancellation or failure to purchase; and
- 14.2.6 in the event of a partial termination or cancellation, the price, delivery schedule and other requirements relating to the remainder of the Purchase Order shall not be affected by such termination or cancellation.

15. Default

- 15.1 In the event of any default by Supplier in the performance of this Agreement, any Purchase Order or Blanket Purchase Order which remains unremedied for a period of thirty (30) days after written notice thereof from P&WC to Supplier, or if Supplier becomes insolvent, or commits any act of bankruptcy, P&WC may by written notice to Supplier at any time thereafter terminate this Agreement and cancel all or any outstanding orders without further obligation to Supplier.
- 15.2 Without limiting the generality of the foregoing, in the event that: (i) Supplier is deemed to be in default pursuant to paragraph 6.3 or (ii) Supplier is unable to deliver Products in accordance with P&WC's requirements, then this shall be considered a default and, in addition to the remedies provided in paragraph 15.1 above, Supplier (i) hereby grants to P&WC, as of the date of such default, a royalty-free sublicensable worldwide license in respect of Supplier's patents or other intellectual or industrial property related to Products, (ii) shall provide P&WC with all drawings and other Product specific information, and (iii) shall provide P&WC with any know-how or other assistance, necessary to permit P&WC to produce or procure Products.
- 15.3 Upon any such termination under paragraphs 15.1 or 15.2 above, without prejudice to any other rights or remedies which P&WC may have at law:
- 15.3.1 Supplier shall continue to be responsible for the performance of any Purchase Order or Blanket Purchase Order which is not cancelled, and which shall remain subject to the provisions of this Agreement;
- 15.3.2 P&WC shall have no obligation to accept or pay for Products under any cancelled Purchase Order or Blanket Purchase Order other than Products delivered in accordance with such Purchase Order or Blanket Purchase Order prior to cancellation;
- 15.3.3 P&WC shall have no further obligation to Supplier and Supplier shall have no claim for damages, compensation or loss of profit as a result of such termination or cancellation;
- 15.3.4 Supplier shall promptly return to P&WC, or otherwise dispose of at P&WC's direction, all P&WC drawings, Specifications, information, tooling, raw materials and equipment in the possession of Supplier (except for such items required for any Purchase Orders or Blanket Purchase Order not terminated); and
- 15.3.5 Supplier shall indemnify P&WC for the costs resulting from a transfer of the purchase of Product(s) to a new supplier, including all non-recurring costs and costs incurred in re-qualifying alternate Products.
- 15.3.6 Notwithstanding any other provision of this Agreement or the Consignment Order and in addition to any other right P&WC may have pursuant to this Agreement, P&WC may unilaterally and unconditionally cancel delivery and/or return all and/or part of Authorized Consignment Inventory or forecasted Consignment Inventory, without any liability whatsoever to P&WC.

16. Liability

- 16.1 Notwithstanding any inspection, approval, training, assistance or advice by P&WC, Supplier shall have the entire responsibility for all Products and services manufactured or supplied by Supplier.
- 16.2 Supplier shall indemnify and save P&WC harmless against any and all damage, loss or expense of any nature sustained by P&WC for any breach by Supplier of this Agreement or any Purchase Order or Blanket Purchase Order or for reasons attributable to Supplier, its agents or employees. However, Supplier shall not be obligated to

indemnify P&WC against any damage, loss or expense to the extent same is caused by the fault of P&WC, its agents or employees.

16.3 Neither party shall be liable for any indirect or consequential damages suffered by the other.

17. Excusable Delay

Neither party shall be responsible for any failure or delay in the performance of this Agreement or any Purchase Order or Blanket Purchase Order resulting from causes beyond its reasonable control including, but not limited to, events such as act of Government, court order, civil unrest, sabotage, extreme weather conditions and labour troubles. The delayed party shall give notice in writing to the other of any such event and shall use all reasonable efforts to avoid or remove the cause and resume performance with minimum delay. The parties shall jointly prepare a contingency plan to address the potential impact of any such event.

18. Infringement of Proprietary Rights

18.1 As to the Products provided hereunder, Supplier shall be responsible for and shall indemnify and save P&WC, its customers and each subsequent purchaser or user thereof, harmless from any claim, suit or action alleging that the manufacture, use or sale of such Products infringes any patent, trademark, copyright, or other proprietary right. Notwithstanding this, when such alleged infringement arises as a necessary consequence of Supplier's compliance with specifications or designs furnished by P&WC which describe that aspect of the Products on which such alleged infringement is based, then P&WC shall be responsible and shall save Supplier harmless therefrom, unless the subject matter giving rise to the claim was (i) derived from, or selected by Supplier or (ii) relates to materials or compositions, or processes relating to materials or compositions.

18.2 The party against whom such infringement claim is made shall promptly notify the other party in writing and the party responsible under the provisions of paragraph 18.1 shall assume and diligently conduct the entire defense of the claim at its own expense. Insofar as its interests are affected, the other party shall have the right, at its own expense and the whole without releasing any obligation, liability, or undertaking of the responsible party, to participate in the defense of the claim, and intervene in any suit or action.

18.3 Notwithstanding paragraphs 18.1 or 18.2, P&WC shall have the further right, at its discretion, to supersede Supplier in its defense of any such infringement claim and thereafter to assume and conduct the same according to P&WC's sole discretion, in which event Supplier shall be released from any obligation arising from such claim under this Article. If requested in writing by P&WC, Supplier shall cooperate with P&WC in P&WC's defense of any such claim.

18.4 If the manufacture, use or sale of Products is enjoined by a court pending a court's final decision with respect to an infringement claim, or should Supplier refuse to supply Products to avoid a potential third party claim for such infringement, Supplier agrees to assist P&WC in avoiding any disruption to the manufacture of its Engines by using all reasonable efforts to (i) secure for P&WC the right to use and sell Products; (ii) modify or replace Products with equivalent, as determined by P&WC, non-infringing Products; or (iii) provide such other solution acceptable to P&WC.

18.5 Further if the manufacture, use or sale of Products is enjoined by a court in a final decision (not subject to appeal) and Supplier has not secured for P&WC the right to use and sell the Products, Supplier shall, in addition to assisting P&WC as required by paragraph 18.4, reimburse P&WC for P&WC's non-recurring costs incurred in requalifying alternate Products for use and sale on its Engines and refund to P&WC the purchase price of any infringing Products that P&WC is prohibited from using or selling.

19. New Products

19.1 For each new engine part not yet manufactured by Supplier for which P&WC wishes the Supplier to provide one or more units for consideration by P&WC as a potential Product (the "New Product"), P&WC will supply specifications and target cost where applicable. Supplier shall respond, within the requested delay, with either a detailed proposal or a notice of refusal.

19.2 In order to help P&WC understand product costs, Supplier shall provide, at proposal stage and thereafter upon request, details of the elements contributing to New Product cost, including non-recurring cost, and Supplier's

subcontract arrangements. As far as practicable, prices of New Products shall be determined by the parties by reference to a market-driven target price and prices of existing products.

- 19.3 In the event of agreement between the parties on the supply of a New Product to P&WC, Supplier shall adhere to the agreed development schedule for New Products and shall use its best efforts, including the application of value engineering principles, to meet the New Product target cost.
- 19.4 New Product prototypes required by P&WC for development purposes shall be supplied at no cost to P&WC. Supplier shall, at no cost to P&WC, support P&WC's certification effort by providing engineering assistance (at P&WC's or customer facilities as required) in a timely and pro-active manner based on Supplier's experience and knowledge gained through other Programs.
- 19.5 To assist P&WC in its design-to-cost, concurrent engineering and risk reduction aims, upon P&WC's request Supplier shall participate with P&WC engineering and production teams. This shall include suggesting modifications to P&WC specifications and designs which would allow Supplier to manufacture New Products at a lower cost without affecting New Product or Engine performance.

20. Term of Agreement

Unless earlier terminated in accordance with Articles 14 or 15 above, this Agreement shall remain in force from the date hereof for an initial period of ten (10) years and shall continue thereafter from year to year unless terminated by either party giving not less than six (6) months notice of termination to the other, effective at the end of the initial period or any annual renewal. Such termination shall not affect any outstanding obligations of Supplier for Products which have not been cancelled by P&WC.

21. Approved Contractor access to Products

Upon notification by P&WC, Supplier shall also make Products available to other P&WC designated suppliers (hereinafter referred to as "Approved Contractors") at prices no greater than those specified under this Agreement. This obligation is strictly limited to those contracts under which Approved Contractors are purchasing Products from Supplier to fulfill their contractual obligations towards P&WC. It is Supplier's obligation to obtain confirmation from P&WC that a supplier is an Approved Contractor. Supplier shall maintain accurate records of all purchase orders and sales of Products to Approved Contractors and shall provide such records to P&WC upon request. Notwithstanding the above, the Approved Contractor shall not be deemed an agent of P&WC and P&WC shall not have any liability whatsoever for any Products ordered from the Supplier by the Approved Contractor.

22. General Terms

22.1 Communication

All notices required to be given pursuant to this Agreement or a Purchase Order shall be in writing and shall be considered as duly delivered when sent by registered mail, telex or telecopier to the other party at the address stated on the first page hereof or such other address as either party shall advise the other in writing. The parties shall work together to implement paperless operations through the use of Electronic Data Interchange (EDI).

22.2 Supplier's obligations after termination

Notwithstanding any termination of this Agreement, Supplier's obligations under Articles 4, 6.3, 9, 10, 11, 18 and 22 shall survive such termination and remain in full force and effect.

22.3 Dispute resolution

22.3.1 In the event of any dispute hereunder, the parties agree to continue performing their obligations under this Agreement and any Purchase Orders in order to avoid disruption in delivery of Products. The terms last agreed between the parties shall remain in effect until they have agreed to modify them.

22.3.2 Subject to the right of either party to seek specific performance of any obligation set forth in this Agreement through permanent and/or temporary injunctive relief (s) (for which the parties consent that any such action or claim shall be brought in a court having competent jurisdiction in the Province of Quebec, Canada), the parties agree that any disputes in connection with this Agreement (subject to the right of injunctive reliefs set forth in this paragraph) shall be referred to arbitration in Quebec.

Canada, according to the Quebec Code of Civil Procedure, in which event the jurisdiction of the courts is excluded and the arbitration award shall be final and binding.

22.4 Independent Contractor

Nothing in this Agreement shall alter Supplier's status as an independent contractor, constitute the Supplier as an employee, agent, franchisee, or legal representative of P&WC, or empower Supplier to act for or bind P&WC in any manner or respect.

22.5 Amendment

No amendment or modification of this Agreement or a Purchase Order shall be binding unless agreed to in writing by duly authorized representatives of each party.

22.6 Assignment

Neither this Agreement nor any Purchase Order shall be assigned in whole or in part by either party without the prior written consent of the other party. P&WC may immediately terminate this Agreement and any outstanding Purchase Orders if substantial ownership or control of Supplier passes to a customer, competitor or another supplier of P&WC.

22.7 Canadian Content

Where possible Supplier shall use Canadian sources and shall maximize the Canadian content of Products. Supplier shall inform P&WC of all foreign (non-Canadian) content in Products, including country of origin, material, value and labour.

22.8 Interpretation

Recourses are cumulative and not alternative. Singular includes the plural. Headings are for purposes of convenience only. Special terms, conditions and specifications written or typed on the face of Purchase Orders and Attachments thereto by P&WC shall take precedence over the terms of this Agreement. Where Purchase Orders are sent by Electronic Data Interchange (EDI), additional terms included therein by P&WC shall take precedence over this Agreement and this Agreement shall take precedence over any EDI agreement or FAX agreement between the parties.

22.9 Waiver and Severance

Any concession, latitude or waiver allowed by either party to the other at any time shall not prevent such party from subsequently enforcing its rights and shall not be deemed a waiver of any subsequent breach. The nullity of any part of this Agreement shall not affect the validity of the remainder.

22.10 Entire Agreement

This Agreement with its attachments and any documents incorporated by reference hereto, constitutes the entire Agreement between the parties with respect to the subject matter hereof and supersedes all previous understandings and agreements, whether oral or in writing. In the event of any inconsistency between this Agreement and any Purchase Order or Blanket Purchase Order the terms of this Agreement shall prevail. No modification by Supplier to the terms of this Agreement, any other agreement, Purchase Order or Blanket Purchase Order, will be valid unless agreed to in writing by an authorized P&WC representative.

22.11 Customs

Supplier shall be responsible for obtaining any export licenses required to ship Products and/or Authorized Consignment Inventory to P&WC or P&WC's consignee. P&WC shall act as the "de facto" importer of record of the Authorized Consignment Inventory coming into Canada. Provided that Supplier complies with the following paragraph, P&WC shall arrange and pay for Canadian import licenses, customs clearance or other Canadian authorization, Canadian duty and Canadian sales tax directly related to the import of Products or of Authorized Consignment Inventory to Canada, as required.

Supplier also represents and warrants to P&WC that it complies and that it will comply with the customs legislation concerning the supply of goods and with any changes in such customs legislation.

22.12 Expenses

Unless otherwise expressly provided herein all expenses incurred by either party in connection with the formation or implementation of this Agreement shall be the sole responsibility of that party and neither party shall have any claim for such expenses against the other.

22.13 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws in force in the Province of Quebec, Canada. It shall be binding upon and enure to the benefit of the parties hereto, their successors and assigns. The application of the United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this Agreement.

22.14 Language

The parties confirm that they have expressly requested that this Agreement and any documents hereunder including arbitration pursuant to this Agreement shall be in the English language.

Supplier hereby acknowledges having read all of the provisions in this Agreement and having a full understanding of the nature and extent of the obligations created under this Agreement.

IN WITNESS whereof this Agreement has been executed by the duly authorized representatives of the parties the day and year first above written.

PRATT & WHITNEY CANADA CORP.

KK Precision

Name: Danny Di Perna

Title: V.P. Procurement & Logistics


Name: George Koutakian

Title: V.P. Operations

ATTACHMENT A
PRICING AGREEMENT

Product Number	Product Description	Unit Price (CDN\$)	Leadtime	Supply Condition

BOTH PARTIES AGREE TO NEGOTIATE THIS PRICING AGREEMENT AT A FUTURE DATE.


Supplier acknowledges receipt of all drawings and specifications relating to the above mentioned Product number(s) and acknowledges that same may be updated or amended by P&WC from time to time.

AGREED TO BY THE PARTIES by their duly authorized representatives this 18th day of September, 2002.

PRATT & WHITNEY CANADA CORP.

KK Precision

Name: _____
Danny Di Perna
Title: V.P. Procurement & Logistics


Name: George Koulakian
Title: V.P. Operations

Pratt & Whitney Canada Inc.
1000 Marie-Victorin
Longueuil, Québec, Canada J4G 1A1
450-677-9411



Pratt & Whitney Canada

Une société de United Technologies/A United Technologies Company

July 18, 2005

KK Precision
104 Oakdale Road
Toronto, Ontario
M3N 1V9

Send Paroblar
07/28/05
AB

Subject: **Pricing Agreement**

Dear Mr. Koulakian,

Enclosed, you will find Attachment A Pricing Agreement in accordance with the Long Term Agreement between Pratt & Whitney Canada Corp. and KK Precision dated September 18, 2002.

Kindly sign both sets of documents and return to the undersigned. Upon receipt of the documents, P&WC will counter-sign and a fully executed original will be returned to your attention.

Yours Truly,

PRATT & WHITNEY CANADA CORP.

Anthony Evangelista (01NO1)
Procurement and Logistics

Tel.: (450) 647-2803
Fax.: (450) 647-9026

ATTACHMENT A PRICING AGREEMENT

This Attachment A will be in force as of July 15, 2005 as referenced in the Long Term Agreement between Pratt & Whitney Canada Corp. and KK Precision dated September 18, 2002 ("Agreement").

Table 1: Period covered (July 15, 2005 to July 15, 2008)

Product Number	Funds	Unit Price (CDN\$)	Lead-Time (weeks)	Supply Condition
3018943	CAD	\$210.00	18	USM
3020367	CAD	\$26.75	7	VSM
3029423	CAD	\$184.00	8	VSM
3052519-01	CAD	\$392.61	14	USM
3053314-01	CAD	\$1,791.00	16	USM Debit Memo
3054511-01	CAD	\$856.00	10	USM Debit Memo
3059891-01	CAD	\$503.00	12	USM
30B2556	CAD	\$165.00	10	VSM
30B2556P10	CAD	\$165.00	14	VSM
30B2556P5	CAD	\$165.00	14	VSM
30B2729-01	CAD	\$345.35	9	VSM
30B5146-01	CAD	\$572.25	14	USM Debit Memo
30C4300-01	CAD	\$2,849.84	12	USM Debit Memo
30J2113-01	CAD	\$365.28	8	USM Debit Memo
3104773-01	CAD	\$12.95	10	VSM
3112471-01	CAD	\$550.00	8	VSM
3113604-01	CAD	\$40.00	10	VSM
3113608-01	CAD	\$37.05	10	VSM
3113609-01	CAD	\$54.15	10	VSM
31B1049-01	CAD	\$2.46	10	VSM
31B2423-01	CAD	\$54.95	10	VSM
31B3598-01	CAD	\$4.39	10	VSM
31B6163-01	CAD	\$995.69	10	USM
31B6169-01	CAD	\$253.60	16	VSM
31J1669-01	CAD	\$79.35	18	USM
31J2705-01	CAD	\$410.40	12	USM
31J2944-01	CAD	\$1,791.00	18	USM Debit Memo
31J2945-01	CAD	\$1,791.00	16	USM Debit Memo
3902124-01	CAD	\$3,654.00	16	USM
MD3062901	CAD	\$1,911.00	10	VSM
MD3082903	CAD	\$3,278.00	10	USM
MD3083861	CAD	\$2,228.00	15	VSM
ST3745-01	CAD	\$4.39	10	VSM
ST3745-02	CAD	\$4.39	10	VSM
ST3880-01	CAD	\$2.46	8	VSM

Table 2: Period covered (July 15, 2005 to July 15, 2006)

Product Number	Funds	Unit Price (CDN\$)	Lead-Time (weeks)	Supply Condition
3019369	CAD	\$11.00	8	VSM
3039758	CAD	\$77.31	8	VSM
3043874-01	CAD	\$40.00	8	VSM
3052224-01	CAD	\$537.63	12	USM
30B1828	CAD	\$3.27	8	VSM
30B1828P5	CAD	\$3.27	8	VSM
30B4975-01	CAD	\$467.08	12	VSM
3103807-01	CAD	\$12.95	10	VSM
31B1476-01	CAD	\$7.75	10	VSM
3910025-01	CAD	\$598.57	10	USM Debit Memo

VSM: Vendor Supplies Material

USM: User Supplies Material

Length of Pricing Agreement

This Attachment B Table 1 is valid from July 15, 2005 to July 15, 2008 and Table 2 is valid from July 15, 2005 to July 15, 2006 with the option to renew for an additional one-year extension under the same terms and conditions as those set forth in this Attachment A and in the Agreement. The request to extend this Attachment A shall be submitted to Supplier in writing ninety (90) days prior to the expiration of the initial term of this Attachment A.

Supplier acknowledges receipt of all drawings and specifications relating to the above mentioned Products and acknowledges that the same may be updated or amended by P&WC from time to time.

AGREED TO BY THE PARTIES by their duly authorized representatives this day 15th day of July, 2005.

PRATT & WHITNEY CANADA CORP.

KK PRECISION

Signature: _____

Signature: 

Name: Benoit Beaudoin

Name: George Koulakian

Title: V.P. Procurement & Logistics

Title: V.P. Operations

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (MOA) is made and entered into as of the 25th day of January 2006, by and between

KK PRECISION, a Canadian corporation organized under the laws of Quebec, and having its principal place of business at 104 Oakdale Road, Toronto, Ontario, Canada M3N 1V9 (hereinafter referred to as "Supplier")

and,

PRATT & WHITNEY CANADA CORP., a corporation having its principal place of business at 1000 Marie-Victorin, Longueuil, Quebec, Canada J4G 1A1 (hereinafter referred to as "P&WC").

WHEREAS:

P&WC is engaged in the business of designing, developing, manufacturing, testing, qualifying, selling, and supporting gas turbine aircraft engines;

Supplier is engaged in the business of designing, developing, manufacturing, testing, qualifying, selling, and supporting engine parts (including their components and related services), and/or other components suitable for incorporation onto aircraft engines;

P&WC has identified Supplier as a potential supplier for the Program (as such term is defined herein), and the Parties (as defined hereunder) have agreed on the particular terms and conditions which shall apply to the design, development, manufacturing, testing, qualifying and supply of such Products to P&WC, in the event that P&WC selects Supplier as one of the sources for the supply of Products.

Supplier accepts and desires to work with P&WC (and any third party as may be directed by P&WC) to further define and optimize the design, development, and manufacturing requirements of the Program and Products for the Program, all in accordance with the requirements of this MOA.

NOW THEREFORE in consideration of the premises and mutual covenants hereinafter set forth, P&WC and Supplier (hereinafter individually referred to as a "Party" and collectively as the "Parties") agree as follows:

1. Scope

- 1.1. This MOA sets forth specific terms & conditions with respect to the design, development, certification, production and support of Products (as such term is defined herein) for the Program in the event that Supplier is selected by P&WC, acting at its sole discretion, as one of the sources therefor.
- 1.2. For clarity, notwithstanding any provision contained herein, nothing within this MOA shall obligate or deem to obligate or create any obligation on the part of P&WC: (a) to purchase Products from Supplier, (b) to select Supplier as a supplier for Products, or (c) to enter into any agreement with the Supplier for the supply of Products, or (d) entrust Supplier with the development and production phases of the Program or of any other P&WC engine program.

2. Definitions

2.1. For the purposes of this MOA:

2.1.1. "Engine" means a gas turbine aero-engine manufactured by P&WC;

2.1.2. "Products" shall mean engine parts (including their components and related services), and/or other components suitable for incorporation onto aircraft engines, as listed in Attachment A hereto and as amended or supplemented from time to time;

2.1.3. "Specification(s)" means any document which stipulates P&WC's requirements that may be issued by P&WC from time to time, including without limitation drawings and technical specifications including, without limitation, Supplementary Material Data, Supplementary Process/Product Data;

2.1.4. "Derivative Products" shall mean any product originating from the Products;

2.1.5. "Program" shall mean the engine program to be manufactured by P&WC and to be powered by PW307 Engines.

3. General Terms and Conditions

3.1 If Supplier is selected by P&WC as a source for the Products, and provided that Supplier complies and continues to comply with all of its obligations pursuant to this MOA, the Supplier hereby acknowledges and agrees to then execute with P&WC, if and when requested by P&WC, an amendment (on the form and basis to be provided by P&WC) to the existing Long Term Purchase Agreement ("LTPA") already executed between the parties hereto. It is understood and agreed between the parties hereto that the execution of such amendment may only occur a few years after Supplier's selection as a source for the Products. In such event, upon execution of the said amendment to the LTPA, the terms and conditions set forth in this MOA shall be deemed to be automatically inserted as an Attachment to the LTPA (applicable to the Products). Supplier acknowledges and agrees that such Attachment and/or such LTPA shall then be amended as may be required by P&WC, to reflect the latest Customer requirements to be flowed down to Supplier. Such requirements may include, without limitation, various provisions related to penalties, liquidated damages and financial compensation, insurance, product support, additional design & development tasks, etc.

3.2 Each Party will bear its own costs, expenses and fees in fulfilling its obligations under this MOA and neither Party shall be liable to the other for any of the costs and expenses arising out of the other Party's performance of its obligations in connection with this MOA, it being understood that the Supplier will receive no payment from P&WC pursuant to this MOA, save and except payments to be made in connection with the purchase of Products. Moreover, P&WC shall not pay any cost pursuant to this MOA unless P&WC includes (such inclusion to be determined by P&WC at its sole discretion) part or all of any such cost in a P&WC Purchase Order. P&WC shall not be responsible or liable to the Supplier for any direct or indirect damages or loss of profit incurred by the Supplier pursuant to this MOA.

3.3 (Left intentionally blank)

3.4 Payment terms for the Products are 60 days following P&WC's receipt of invoice or Product, whichever is later.

3.5 In addition to a human readable marking and at no additional cost to P&WC, Supplier agrees to mark all parts and/or Products manufactured for P&WC pursuant to this MOA and/or pursuant to any other agreement entered into or to be entered into with P&WC, with a unique identification number within a 2-D data matrix. DOT Peening, laser and etching are acceptable methods.

4. Design, Development, Certification & Production

4.1. Supplier shall perform all of its obligations set forth in this MOA, including, without limitation, those set out in the Specifications and this MOA's Attachments. The parties also agree to make any modifications to such Attachments, which may be requested from time to time by P&WC.

- 4.2. Supplier shall have full responsibility to ensure its Products interface and interact successfully with the Engine and all systems and items incorporated on the engine and with the Specifications submitted by P&WC.
- 4.3. Prices and weights stipulated in Attachment A hereto shall remain valid for the period specified therein save and except in the event that P&WC requests a change to the Products definition which substantially affects Products cost or weight. In such event,
- 4.3.1. Prices or weight increases (if applicable) requested by Supplier which are not due to Supplier's failure to meet P&WC's requirements shall be fully justified by Supplier to P&WC's satisfaction with a detailed cost or weight breakdown (as applicable) which shall be subject to P&WC audit. In no event shall P&WC accept any increase to baseline price or weight (as established in Attachment A hereto) for Products or Derivative Products without a complete justification from Supplier of the net cost or weight impact (as applicable), subject to P&WC audit and approval, of additional features requested by P&WC.
- 4.3.2. Prices or weight decreases shall be reported to P&WC by Supplier with a detailed cost or weight breakdown at P&WC's request and shall be subject to P&WC audit and approval prior to acceptance by P&WC. Supplier shall regularly and continuously during the term of this MOA provide to P&WC proposals, subject to P&WC approval, to reduce price and weight in order to achieve the results set forth in Attachment A.
- 4.4. If, due to Supplier's default or failure to meet P&WC's specifications and requirements, changes to Product(s) become necessary in order to attain aircraft certification, all costs resulting from such changes (including, without limitation, interim configurations of hardware required to meet engine test schedule) shall be borne by Supplier, and Supplier shall reimburse P&WC for all such costs within thirty (30) days of P&WC request. Supplier shall be responsible to retrofit, at no charge to P&WC, all interim hardware to the most current design deemed acceptable by P&WC within a timeframe satisfactory to P&WC.
- 4.5. Supplier agrees to participate, at no charge or costs to P&WC, in monthly Program reviews to be held at P&WC. Furthermore, Supplier shall provide, at no charge or costs to P&WC, engineering personnel and qualified technicians on-site at P&WC or at any engine customer whenever requested by P&WC.
- 4.6. Supplier shall perform, at no charge or costs to P&WC, all work required to certify its Products. It is understood that P&WC-initiated changes to the Specifications may incur additional costs. In no event shall P&WC be obligated to pay for such additional costs unless Supplier provides, to P&WC's satisfaction, a detailed cost breakdown, which shall be subject to P&WC audit and approval. In the event that P&WC pays for such additional costs in accordance with this section, it is understood and agreed between the parties that P&WC shall not pay for (and that Supplier shall deduct from such additional costs) any amount received by Supplier which may be considered by P&WC, acting in its sole discretion, as subsidies, grants, tax credits or any other type of direct or indirect assistance received by Supplier in connection with such additional costs.
- 4.7 (Left intentionally blank)
- 4.8. Supplier shall strive to incorporate commonality and allow margin for growth potential in all design proposals in order to avert any additional charges to P&WC and maintain the baseline pricing established in Attachment A hereto for all Derivative Products which may be requested by P&WC. In the event that such Derivative Products incorporate features, which increase net Products cost, Supplier shall provide, to P&WC's satisfaction, a detailed cost breakdown of such additional features which shall be subject to P&WC audit and approval.

- 4.9 It is understood and agreed between the parties hereto that, pursuant to this MOA, the Supplier shall, at any time upon P&WC's request provide P&WC with the detailed cost breakdown for the products.
- 4.10. Products delivered to P&WC for any purpose, including without limitation spares sales by P&WC, shall be paid to Supplier according to the pricing established in Attachment A (i.e. there shall be no tiered pricing policy).
- 4.11. Supplier shall participate, at no cost to P&WC, in all value engineering activity and/or any other initiatives which may be requested by P&WC in order to comply with all of the requirements set forth in the Specifications at the price(s) and weight(s) identified in Attachment A hereto. Such participation on the part of Supplier may include, without limitation, submission of detailed cost breakdowns, submission of substantiation and/or field data, availability of technically competent Supplier's personnel as may be required by P&WC, and travel of such personnel to P&WC.
- 4.12. Supplier agrees to deliver Products to P&WC or any location designated by P&WC upon P&WC's request "FCA Supplier's Plant", with all trade terms dealing with delivery being interpreted using "Incoterms 2000" (as updated from time to time).
- 4.13 Title to Products, other than consigned Products, shall pass when the Product is delivered at P&WC'S plant in accordance with P&WC'S shipping instructions. Under the Consignment System in accordance with the Long Term Purchase Agreement between P&WC and KK Precision dated September 18, 2002, title to those Products shall pass when such Product is pulled from consignment for production by P&WC.
- 4.14. Supplier agrees to consign all products (including, without limitation, products already supplied and to be supplied by Supplier to P&WC) selected by P&WC at P&WC or any location designated by P&WC upon P&WC's request. Supplier agrees to execute or have executed any documents and do such acts as are necessary for P&WC to reflect such agreement hereunder.
- 4.15. Supplier hereby agrees to indemnify and save P&WC harmless against any and all damage, loss or expense of any nature sustained by P&WC for any breach by Supplier of this MOA, or the LTPA and/or any Purchase Order or for reasons attributable to Supplier, its agents or employees. Without limiting the generality of the foregoing, Supplier agrees to indemnify and to compensate P&WC for any failure on its part to meet P&WC's requirements pursuant to this MOA and/or the LTPA and/or any Purchase Order, if applicable, the whole in accordance with the terms and conditions set forth in Attachment C hereto.
- 4.16. Supplier agrees to support and to fully comply with P&WC's produceability review process and provide any information requested in the templates substantially in the form described in Attachment B herein within a maximum delay of 7 days after any P&WC request. Moreover, Supplier agrees to comply with any recommendations to be made by P&WC after receipt by P&WC of the produceability review process information set forth in this Attachment B and to implement any requirements which may be reasonably required by P&WC in that regards.
- 4.17. Supplier acknowledges that one of the essential considerations of this MOA is Supplier's ability to maintain and continuously improve its competitiveness to be "best-in-class" and a "world class supplier" with respect to, amongst other things, the following:
- technology,
 - quality,
 - delivery schedule flexibility,
 - cost reduction,
 - customer support requirements,
 - leadtime reduction,
 - any other metrics that P&WC or P&WC's Customer may deem relevant.

In order to improve Supplier's competitiveness, Supplier and P&WC shall meet once a year to review Supplier's performance with respect to the requirements set forth in this article and develop appropriate action plans to implement timely corrective actions therefor. In the event that Supplier fails to show reasonable progress in the fulfillment of its obligations (to be identified during such meeting), then Supplier shall compensate P&WC financially for any and all costs, expenses and damages suffered by P&WC in connection with such non compliance with Supplier's obligations pursuant to this paragraph.

5. Term of Agreement

5.1. This MOA will remain effective until the earliest to occur of any of the following events:

- 5.1.1 P&WC and Supplier execute an amendment to the LTPA;
- 5.1.2 Cancellation of the Program by P&WC's Customer;
- 5.1.3 Indication, implicit or explicit, by P&WC's Customer to use a party other than Supplier for the supply of the Products or any portion thereof;
- 5.1.4 Supplier receives written notification from P&WC that P&WC, acting in its sole discretion, has not selected Supplier for the supply of Products for the Program;
- 5.1.5 Either party becomes bankrupt or insolvent or has a receiving order made against it, or resorts to protection under any statute relating to bankruptcy or insolvent debtors;
- 5.1.6 P&WC notify Supplier in writing that Supplier is in breach of this MOA or of any other agreements entered into with P&WC.

5.2. In the event of termination of this MOA, each Party will return to the other Party upon request, all the documents and information forwarded by the other Party for the purposes contemplated herein.

Notwithstanding any termination of this MOA, Supplier's obligations under Sections 4, 7 and 11 in their entirety, of this MOA shall survive such termination and remain in full force and effect.

6 Taxes

The tax provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

7. Warranty

The warranty provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

8. Communication

8.1 Supplier shall not make use of P&WC's name or any information contained in this Agreement or related documents for publicity purposes without the prior written consent of P&WC. Without limiting the generality of the foregoing, this restriction shall be deemed to apply to news releases, sales literature, and promotional brochures, advertisements (including photographs and films), which refer to the Program or Products.

8.2 Except as otherwise provided herein any notice or other communication by the Parties, which shall be in writing, shall be delivered by certified mail or by transmission by a telecommunications device and be addressed as follows:

To P&WC:	To Supplier
Pratt & Whitney Canada Corp. :	KK Precision

1000 Marie-Victorin
Longueuil, Quebec, Canada
J4G 1A1
Telephone: (450) 677-9411
Telecopier: (450)
Attention: Supply Manager

104 Oakdale Road
Toronto, Ontario, Canada
M3N 1V9
Telephone: (416)-742-5911
Telecopier: (416)-742-5166
Attention: George Koulakian

9. Laws

This MOA shall be governed by and interpreted in accordance with the laws in force in the Province of Quebec, Canada, to the exclusion of its conflict of law rules. The application of the United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this MOA.

10. Assignment

This MOA shall not be assigned in whole or in part by Supplier without the prior written consent of P&WC. P&WC may immediately terminate this MOA if substantial ownership or control of Supplier passes to a customer, competitor or another supplier of P&WC.

11. Intellectual Property

The Intellectual property provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

12. Independent Contractor

It is understood that each Party is an independent contractor and that nothing in this MOA shall alter Supplier's status as an independent contractor, constitute the Supplier as an employee, agent, franchisee, or legal representative of P&WC, or empower Supplier to act for or bind P&WC in any manner or respect.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS MOA IN DUPLICATE (EACH OF WHICH SHALL BE DEEMED AN ORIGINAL) BY THEIR DULY AUTHORISED REPRESENTATIVES AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

Pratt & Whitney Canada Corp.

KK PRECISION

By: _____

By: _____

Name: Benoit Beaudoin

Name: George Koulakian

Title: V.P. Supply Management

Title: V.P. Operations

**ATTACHMENT A
PRODUCTS PRICING AND WEIGHT**

PERIOD COVERED: JANUARY 20, 2006 TO JANUARY 20, 2011

Product pricing & Weight:

Product Number	Products Description	Production Price (CDN\$)	Product Leadtime	Total maximum Weight of the Product
30P2126-01	Fan Case	\$7,200	6 Weeks	N/A

* As such Product Numbers may be changed from time to time, as may be determined by P&WC, acting in its discretion.

"Product Leadtime" shall have the meaning set forth in the LTPA.

Supplier acknowledges receipt of all drawings and specifications relating to the above mentioned Product number or which are referred to in the MOA and acknowledges that same may be updated or amended by P&WC from time to time.

The above price is firm fixed in Canadian funds and is not dependent upon quantity ordered and shall remain firm fixed, not subject to any escalation for the remaining term of this Attachment.

AGREED TO BY THE PARTIES by their duly authorized representatives this 25th day of January 2006.

PRATT & WHITNEY CANADA CORP.

KK PRECISION

Name: Benoit Beaudoin

Title: V.P. Supply Management

Name: George Koulakian

Title: V.P. Operations

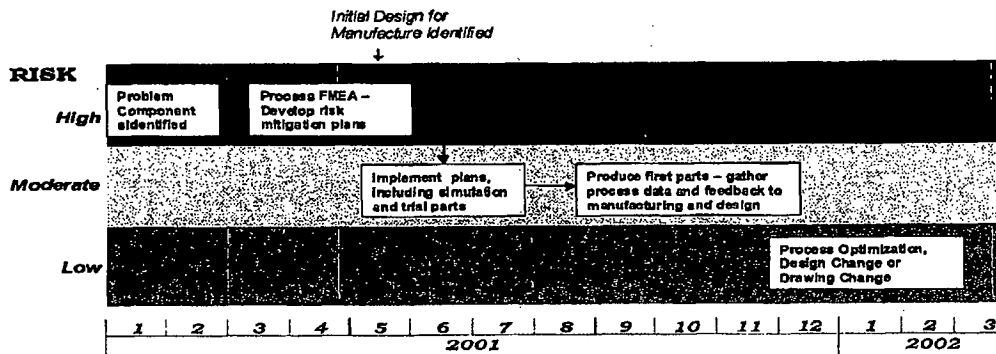
ATTACHMENT B

Production Readiness Reporting Templates

Manufacturing Scorecard – Component

METRICS	GOAL	STATUS	RISK Trend	Action/Strategy/Comments
Target Product Price				
Schedule				
Tooling				
% Complete	100%			
% Proven	100%			
Yield	100%			
Discrepancies (QN's/part)	0			
Lead Time				

Risk Mitigation Plan



**ATTACHMENT C
FINANCIAL COMPENSATION**

In addition to any other rights and recourses that P&WC may have at law or in equity and/or pursuant to this MOA or under any other agreement between Supplier and P&WC, Supplier shall compensate P&WC for any failure on its part to meet P&WC's requirements in accordance with the financial compensation terms set forth in this Attachment C. Each event shall be deemed independent from the others for the purpose set forth in this Attachment C, therefore financial compensation may be applied cumulatively by P&WC.

WEIGHT

(Left intentionally blank)

CUSTOMER ENGINES AND PRODUCTION PHASE

For production and customer engine deliveries, in the event that Supplier fails to achieve P&WC's delivery requirements, Supplier shall compensate P&WC in accordance with the parameters set forth in the following table:

EVENT	FINANCIAL COMPENSATION
x) Products delivery delayed 5 days* after scheduled requirement	\$1000 (fixed) and an amount equivalent to 5% of Production Products Price (in effect at the time of scheduled delivery per Attachment A) per calendar day of delay until the required defect-free Products is received at P&WC
y) Products delivery delayed 20 days after scheduled requirement	In addition to x), amount equivalent to 10 times of Production Products Price (in effect at the time of scheduled delivery per Attachment A) per calendar day of delay until defect-free Products replacement is received at P&WC.

*Note: A grace period of five (5) calendar days is in effect as long as Supplier maintains at least 95% on time delivery based on a 3 months rolling average. Failing that, the compensation stated above shall take effect upon the first day of late delivery by Supplier.

MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (MOA) is made and entered into as of the 17th day of April 2008, by and between

KK PRECISION, a Canadian corporation organized under the laws of Quebec, and having its principal place of business at 104 Oakdale Road, Toronto, Ontario, Canada, M3N 1V9 (hereinafter referred to as "Supplier")

and,

PRATT & WHITNEY CANADA CORP., a corporation having its principal place of business at 1000 Marie-Victorin, Longueuil, Quebec, Canada J4G 1A1 (hereinafter referred to as "P&WC").

WHEREAS:

P&WC is engaged in the business of designing, developing, manufacturing, testing, qualifying, selling, and supporting gas turbine aircraft engines;

Supplier is engaged in the business of designing, developing, manufacturing, testing, qualifying, selling, and supporting engine parts (including their components and related services), and/or other components suitable for incorporation onto aircraft engines;

P&WC has identified Supplier as a potential supplier for the Program (as such term is defined herein), and the Parties (as defined hereunder) have agreed on the particular terms and conditions which shall apply to the design, development, manufacturing, testing, qualifying and supply of such Products to P&WC, in the event that P&WC selects Supplier as one of the sources for the supply of Products.

Supplier accepts and desires to work with P&WC (and any third party as may be directed by P&WC) to further define and optimize the design, development, and manufacturing requirements of the Program and Products for the Program, all in accordance with the requirements of this MOA.



NOW THEREFORE in consideration of the premises and mutual covenants hereinafter set forth, P&WC and Supplier (hereinafter individually referred to as a "Party" and collectively as the "Parties") agree as follows:

1. Scope

- 1.1. This MOA sets forth specific terms & conditions with respect to the design, development, certification, production and support of Products (as such term is defined herein) for the Program in the event that Supplier is selected by P&WC, acting at its sole discretion, as one of the sources therefor.
- 1.2 For clarity, notwithstanding any provision contained herein, nothing within this MOA shall obligate or deem to obligate or create any obligation on the part of P&WC: (a) to purchase Products from Supplier, (b) to select Supplier as a supplier for Products, or (c) to enter into any agreement with the Supplier for the supply of Products, or (d) entrust Supplier with the development and production phases of the Program or of any other P&WC engine program.

2. Definitions


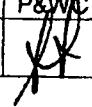
- 2.1. For the purposes of this MOA:

Supplier	P&WC
	

- 2.1.1. "Engine" means a gas turbine aero-engine manufactured by P&WC;
- 2.1.2. "Products" shall mean engine parts (including their components and related services), and/or other components suitable for incorporation onto aircraft engines, as listed in Attachment A hereto and as amended or supplemented from time to time;
- 2.1.3. "Specification(s)" means any document which stipulates P&WC's requirements that may be issued by P&WC from time to time, including without limitation drawings and technical specifications including, without limitation, Supplementary Material Data, Supplementary Process/Product Data;
- 2.1.4. "Derivative Products" shall mean any product originating from the Products;
- 2.1.5. "Program" shall mean the engine program to be manufactured by P&WC and to be powered by PW307 Engines.

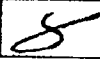
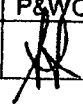
3. General Terms and Conditions

- 3.1 If Supplier is selected by P&WC as a source for the Products, and provided that Supplier complies and continues to comply with all of its obligations pursuant to this MOA, the Supplier hereby acknowledges and agrees to then execute with P&WC, if and when requested by P&WC, an amendment (on the form and basis to be provided by P&WC) to the existing Long Term Purchase Agreement ("LTPA") already executed between the parties hereto. It is understood and agreed between the parties hereto that the execution of such amendment may only occur a few years after Supplier's selection as a source for the Products. In such event, upon execution of the said amendment to the LTPA, the terms and conditions set forth in this MOA shall be deemed to be automatically inserted as an Attachment to the LTPA (applicable to the Products). Supplier acknowledges and agrees that such Attachment and/or such LTPA shall then be amended as may be required by P&WC, to reflect the latest Customer requirements to be flowed down to Supplier. Such requirements may include, without limitation, various provisions related to penalties, liquidated damages and financial compensation, insurance, product support, additional design & development tasks, etc.
- 3.2 Each Party will bear its own costs, expenses and fees in fulfilling its obligations under this MOA and neither Party shall be liable to the other for any of the costs and expenses arising out of the other Party's performance of its obligations in connection with this MOA, it being understood that the Supplier will receive no payment from P&WC pursuant to this MOA, save and except payments to be made in connection with the purchase of Products. Moreover, P&WC shall not pay any cost pursuant to this MOA unless P&WC includes (such inclusion to be determined by P&WC at its sole discretion) part or all of any such cost in a P&WC Purchase Order. P&WC shall not be responsible or liable to the Supplier for any direct or indirect damages or loss of profit incurred by the Supplier pursuant to this MOA.
- 3.3 (Left intentionally blank)
- 3.4 Payment terms for the Products are 60 days following P&WC's receipt of invoice or Product, whichever is later.
- 3.5 In addition to a human readable marking and at no additional cost to P&WC, Supplier agrees to mark all parts and/or Products manufactured for P&WC pursuant to this MOA and/or pursuant to any other agreement entered into or to be entered into with P&WC, with a unique identification number within a 2-D data matrix. DOT Peening, laser and etching are acceptable methods.

Supplier	P&WC
	

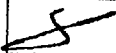

4. **Design, Development, Certification & Production**

- 4.1. Supplier shall perform all of its obligations set forth in this MOA, including, without limitation, those set out in the Specifications and this MOA's Attachments. The parties also agree to make any modifications to such Attachments, which may be requested from time to time by P&WC.
- 4.2. Supplier shall have full responsibility to ensure its Products interface and interact successfully with the Engine and all systems and items incorporated on the engine and with the Specifications submitted by P&WC.
- 4.3. Prices and weights stipulated in Attachment A hereto shall remain valid for the period specified therein save and except in the event that P&WC requests a change to the Products definition which substantially affects Products cost or weight. In such event,
- 4.3.1. Prices or weight increases (if applicable) requested by Supplier which are not due to Supplier's failure to meet P&WC's requirements shall be fully justified by Supplier to P&WC's satisfaction with a detailed cost or weight breakdown (as applicable) which shall be subject to P&WC audit. In no event shall P&WC accept any increase to baseline price or weight (as established in Attachment A hereto) for Products or Derivative Products without a complete justification from Supplier of the net cost or weight impact (as applicable), subject to P&WC audit and approval, of additional features requested by P&WC.
- 4.3.2. Prices or weight decreases shall be reported to P&WC by Supplier with a detailed cost or weight breakdown at P&WC's request and shall be subject to P&WC audit and approval prior to acceptance by P&WC. Supplier shall regularly and continuously during the term of this MOA provide to P&WC proposals, subject to P&WC approval, to reduce price and weight in order to achieve the results set forth in Attachment A.
- 4.4. If, due to Supplier's default or failure to meet P&WC's specifications and requirements, changes to Products(s) become necessary in order to attain aircraft certification, all costs resulting from such changes (including, without limitation, interim configurations of hardware required to meet engine test schedule) shall be borne by Supplier, and Supplier shall reimburse P&WC for all such costs within thirty (30) days of P&WC request. Supplier shall be responsible to retrofit, at no charge to P&WC, all interim hardware to the most current design deemed acceptable by P&WC within a timeframe satisfactory to P&WC.
- 4.5. Supplier agrees to participate, at no charge or costs to P&WC, in monthly Program reviews to be held at P&WC or at Suppliers Site as required. Furthermore, Supplier shall provide, at no charge or costs to P&WC, engineering personnel and qualified technicians on-site at P&WC or at any engine customer whenever requested by P&WC.
- 4.6. Supplier shall perform, at no charge or costs to P&WC, all work required to certify its Products. It is understood that P&WC-initiated changes to the Specifications may incur additional costs. In no event shall P&WC be obligated to pay for such additional costs unless Supplier provides, to P&WC's satisfaction, a detailed cost breakdown, which shall be subject to P&WC audit and approval. In the event that P&WC pays for such additional costs in accordance with this section, it is understood and agreed between the parties that P&WC shall not pay for (and that Supplier shall deduct from such additional costs) any amount received by Supplier which may be considered by P&WC, acting in its sole discretion, as subsidies, grants, tax credits or any other type of direct or indirect assistance received by Supplier in connection with such additional costs.
- 4.7 (Left intentionally blank)
- 4.8 Supplier shall strive to incorporate commonality and allow margin for growth potential in all design proposals in order to avert any additional charges to P&WC and maintain the baseline pricing

Supplier	P&WC
	

established in Attachment A hereto for all Derivative Products which may be requested by P&WC. In the event that such Derivative Products incorporate features, which increase net Products cost, Supplier shall provide, to P&WC's satisfaction, a detailed cost breakdown of such additional features which shall be subject to P&WC audit and approval.

- 4.9 It is understood and agreed between the parties hereto that, pursuant to this MOA, the Supplier shall, at any time upon P&WC's request provide P&WC with the detailed cost breakdown for the products.
- 4.10. Products delivered to P&WC for any purpose, including without limitation spares sales by P&WC, shall be paid to Supplier according to the pricing established in Attachment A (i.e. there shall be no tiered pricing policy).
- 4.11. Supplier shall participate, at no cost to P&WC, in all value engineering activity and/or any other initiatives which may be requested by P&WC in order to comply with all of the requirements set forth in the Specifications at the price(s) and weight(s) identified in Attachment A hereto. Such participation on the part of Supplier may include, without limitation, submission of detailed cost breakdowns, submission of substantiation and/or field data, availability of technically competent Supplier's personnel as may be required by P&WC, and travel of such personnel to P&WC.
- 4.12. Supplier agrees to deliver Products to P&WC or any location designated by P&WC upon P&WC's request "FCA Supplier's Plant", with all trade terms dealing with delivery being interpreted using "Incoterms 2000" (as updated from time to time).
- 4.13. (Left intentionally blank)
- 4.14. Supplier hereby agrees to indemnify and save P&WC harmless against any and all damage, loss or expense of any nature sustained by P&WC for any breach by Supplier of this MOA, or the LTPA and/or any Purchase Order or for reasons attributable to Supplier, its agents or employees. Without limiting the generality of the foregoing, Supplier agrees to indemnify and to compensate P&WC for any failure on its part to meet P&WC's requirements pursuant to this MOA and/or the LTPA and/or any Purchase Order, if applicable, the whole in accordance with the terms and conditions set forth in Attachment C hereto.
- 4.15. Supplier agrees to support and to fully comply with P&WC's produceability review process and provide any information requested in the templates substantially in the form described in Attachment B herein within a maximum delay of 7 days after any P&WC request. Moreover, Supplier agrees to comply with any recommendations to be made by P&WC after receipt by P&WC of the produceability review process information set forth in this Attachment B and to implement any requirements which may be required by P&WC in that regards and reasonably applicable within Supplier's capability to do so.
- 4.16. Supplier acknowledges that one of the essential considerations of this MOA is Supplier's ability to maintain and continuously improve its competitiveness to be "best-in-class" and a "world class supplier" with respect to, amongst other things, the following:
- technology,
 - quality,
 - delivery schedule flexibility,
 - cost reduction,
 - customer support requirements,
 - leadtime reduction,
 - any other metrics that P&WC or P&WC's Customer may deem relevant.

Supplier	P&WC
	

In order to improve Supplier's competitiveness, Supplier and P&WC shall meet once a year to review Supplier's performance with respect to the requirements set forth in this article and develop appropriate action plans to implement timely corrective actions therefor.

5. Term of Agreement

5.1. This MOA will remain effective until the earliest to occur of any of the following events:

- 5.1.1 P&WC and Supplier execute an amendment to the LTPA;
- 5.1.2 Cancellation of the Program by P&WC's Customer;
- 5.1.3 Indication, implicit or explicit, by P&WC's Customer to use a party other than Supplier for the supply of the Products or any portion thereof;
- 5.1.4 Supplier receives written notification from P&WC that P&WC, acting in its sole discretion, has not selected Supplier for the supply of Products for the Program;
- 5.1.5 Either party becomes bankrupt or insolvent or has a receiving order made against it, or resorts to protection under any statute relating to bankruptcy or insolvent debtors;
- 5.1.6 P&WC notify Supplier in writing that Supplier is in breach of this MOA or of any other agreements entered into with P&WC.

5.2. In the event of termination of this MOA, each Party will return to the other Party upon request, all the documents and information forwarded by the other Party for the purposes contemplated herein.

Notwithstanding any termination of this MOA, Supplier's obligations under Sections 4, 7 and 11 in their entirety, of this MOA shall survive such termination and remain in full force and effect.

6 Taxes

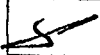

The tax provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

7. Warranty

The warranty provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

8. Communication

- 8.1 Supplier shall not make use of P&WC's name or any information contained in this Agreement or related documents for publicity purposes without the prior written consent of P&WC. Without limiting the generality of the foregoing, this restriction shall be deemed to apply to news releases, sales literature, and promotional brochures, advertisements (including photographs and films), which refer to the Program or Products.
- 8.2 Except as otherwise provided herein any notice or other communication by the Parties, which shall be in writing, shall be delivered by certified mail or by transmission by a telecommunications device and be addressed as follows:

Supplier	P&WC
	

To P&WC:
Pratt & Whitney Canada Corp.:
1000 Marie-Victorin
Longueuil, Quebec, Canada
J4G 1A1
Telephone: (450) 677-9411
Telecopier: (450)
Attention: Supply Manager

To Supplier
KK Precision
104 Oakdale Road
Toronto, Ontario, Canada
M3N 1V9
Telephone: (416) 742-5911
Telecopier: (416)-742-5166
Attention: George Koulakian

9. Laws

This MOA shall be governed by and interpreted in accordance with the laws in force in the Province of Quebec, Canada, to the exclusion of its conflict of law rules. The application of the United Nations Convention on Contracts for the International Sale of Goods is expressly excluded from this MOA.

10. Assignment

This MOA shall not be assigned in whole or in part by Supplier without the prior written consent of P&WC. P&WC may immediately terminate this MOA if substantial ownership or control of Supplier passes to a customer, competitor or another supplier of P&WC.

11. Intellectual Property

The Intellectual property provisions set forth in the LTPA shall be applicable to this MOA, mutatis mutandis.

12. Independent Contractor

It is understood that each Party is an independent contractor and that nothing in this MOA shall alter Supplier's status as an independent contractor, constitute the Supplier as an employee, agent, franchisee, or legal representative of P&WC, or empower Supplier to act for or bind P&WC in any manner or respect.

IN WITNESS WHEREOF THE PARTIES HAVE EXECUTED THIS MOA IN DUPLICATE (EACH OF WHICH SHALL BE DEEMED AN ORIGINAL) BY THEIR DULY AUTHORISED REPRESENTATIVES AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN.

Pratt & Whitney Canada Corp.

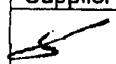
By:  *Sam Abdelmalek for* *Jan 2, 2008*
Name: Benoit Beaudoin

Title: V.P. Supply Management

KK PRECISION

By: 
Name: George Koulakian

Title: V.P. Operations

Supplier	P&WC
	

**ATTACHMENT A
PRODUCTS PRICING AND WEIGHT**

PERIOD COVERED: APRIL 17, 2008 TO DECEMBER 31, 2011

Product pricing:

Product Number*	Products Description	Price Effective Date	Production Price (CDN\$)	Product Leadtime
30P2486-01	Fan Case	April 17, 2008	\$7,200.00	6 Weeks
		September 1, 2008	\$7,000.00	
		December 1, 2008	\$6,809.00	
		February 1, 2009	\$6,687.00	
		May 1, 2009	\$6,513.00	
		August 1, 2009	\$6,347.00	

* As such Product Numbers may be changed from time to time, as may be determined by P&WC, acting in its discretion.

"Product Leadtime" shall have the meaning set forth in the LTPA.

Supplier acknowledges receipt of all drawings and specifications relating to the above mentioned Product number or which are referred to in the MOA and acknowledges that same may be updated or amended by P&WC from time to time.

The above price is firm fixed in Canadian funds and is not dependent upon quantity ordered, shall remain firm fixed, not subject to any escalation for the remaining term of this Attachment.

AGREED TO BY THE PARTIES by their duly authorized representatives this 17th day of April 2008.

PRATT & WHITNEY CANADA CORP.


Name: Benoit Beaudoin

Title: V.P. Supply Management

KK PRECISION


Name: George Koulakian

Title: V.P. Operations

Supplier	P&WC

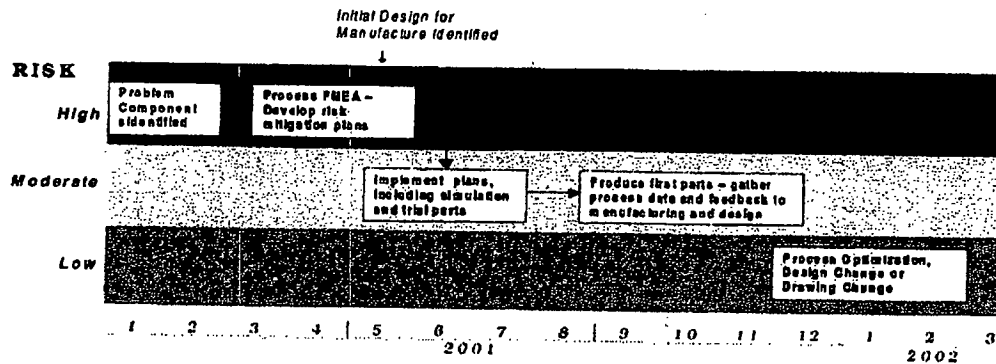
ATTACHMENT B

Production Readiness Reporting Templates

Manufacturing Scorecard – Component

METRICS	GOAL	STATUS	RISK Trend	Action/Strategy/Comments
Target Product Price				
Schedule				
Tooling % Complete	100%			
% Proven	100%			
Yield	100%			
Discrepancies (QN's/part)	0			
Lead Time				

Risk Mitigation Plan



**ATTACHMENT C
FINANCIAL COMPENSATION**

In addition to any other rights and recourses that P&WC may have at law or in equity and/or pursuant to this MOA or under any other agreement between Supplier and P&WC, Supplier shall compensate P&WC for any failure on its part to meet P&WC's requirements in accordance with the financial compensation terms set forth in this Attachment C. Each event shall be deemed independent from the others for the purpose set forth in this Attachment C, therefore financial compensation may be applied cumulatively by P&WC.


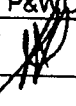
WEIGHT
(Left intentionally blank)

CUSTOMER ENGINES AND PRODUCTION PHASE

For production and customer engine deliveries, in the event that Supplier fails to achieve P&WC's delivery requirements, Supplier shall compensate P&WC in accordance with the parameters set forth in the following table:

EVENT	FINANCIAL COMPENSATION
x) Products delivery delayed 5 days* after scheduled requirement	\$1000 (fixed) and an amount equivalent to 5% of Production Products Price (in effect at the time of scheduled delivery per Attachment A) per calendar day of delay until the required defect-free Products is received at P&WC
y) Products delivery delayed 20 days after scheduled requirement	In addition to x), amount equivalent to 10 times of Production Products Price (in effect at the time of scheduled delivery per Attachment A) per calendar day of delay until defect-free Products replacement is received at P&WC.

*Note: A grace period of five (5) calendar days is in effect as long as Supplier maintains at least 95% on time delivery based on a 3 months rolling average. Failing that, the compensation stated above shall take effect upon the first day of late delivery by Supplier.

Supplier	P&WC
	

SCHEDULE "D"
ROLLS-ROYCE AGREEMENT



AN AGREEMENT RRC/LTA 2007-0033

BETWEEN

ROLLS-ROYCE CANADA LIMITED

AND

KK PRECISION, A DIVISION OF PRECINDA LIMITED

FOR THE SUPPLY OF

GOODS OR SERVICES TO ROLLS-ROYCE CANADA LIMITED

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This Agreement RRC/LTA 2007-0033 (the "Agreement") effective as of the 31st, day of January 2007 is made between

ROLLS-ROYCE Canada Limited of 9500 Côte de Liesse, Lachine, Québec,
("RRC") H8T 1A2, Canada

And

KK Precision, a division of 104 Oakdale Road, Toronto, Ontario M3N
Precinda Limited 1V9
(the "Supplier")

(hereinafter also individually called the "**Party**" and collectively the "**Parties**").

PREAMBLE

WHEREAS RRC is engaged in the business of repair, maintenance and overhaul of aircraft engines and in the development of gas turbines;

WHEREAS, Supplier is engaged in the business of manufacturing casings and component machining;

WHEREAS, RRC seeks to retain Supplier and Supplier desires to manufacture and assemble casings, and machining of components for the RRC RB211 and Trent gaz turbines ("Goods") (as hereinafter further defined);

WHEREAS, RRC may place purchase orders, schedule agreements, and/or Services orders ("**Orders**") on Supplier from time to time for the supply of Goods and/or Services;

WHEREAS, the Supplier has the capability to provide said Goods and to perform such Services for RRC;

WHEREAS, Supplier and RRC have entered into a Non Disclosure Agreement signed on December 21st 2006 bearing number NDA/2006-0227;

NOW THEREFORE, IN CONSIDERATION OF THE MUTUAL PREMISES HEREIN CONTAINED, THE PARTIES HAVE AGREED TO ENTER INTO THIS AGREEMENT (THE "AGREEMENT") GOVERNING THE PROVISION OF THE AFOREMENTIONED PROJECT:

1. DEFINITIONS

Base Price	The portion of the Prices Payable by RRC indicative of the value added for each Good as set out in Erreur ! Source du renvoi introuvable.
Benchmarking Techniques	The cost of manufacturing Goods calculated from performance levels achieved within the relevant industry.
Business Day	Shall mean any calendar day to the exception of any Statutory holidays in the country of the Supplier or RRC.

Concession	A written authorisation to use or release a product, which does not conform to the specified requirements. This is limited to the shipment of a product that has specific non-conforming characteristics within specified deviations, for a limited time or quantity.
Cpk	The capability of the process relative to the specification limits and process mean.
Goods	Shall mean any goods or material supplied by the Supplier to RRC in accordance with this Agreement including, but not limited to, any manufactured goods or materials and any exchange components.
Forecast	Shall mean the engine forecast provided by RRC as communicated by RRC every six (6) months from RRC strategic procurement.
Freeze Period	Shall mean the period, listed in Erreur ! Source du renvoi introuvable. in which no Modifications shall be allowed.
Intellectual Property	Shall mean inventions, Canadian, U.S., European and other patents and divisionals, continuations, re-exams and reissues thereof, mask works, utility models, trademarks, copyrights, trade secrets, know how and other proprietary information.
Key Characteristics	The features of a Good whose variation has a significant influence on product fit, performance, service life or manufacturability.
Manufacturing Lead-Time	For the purpose of this Agreement, it shall start on the day that the Order is accepted by Supplier for Goods or that the Supplies are received at the premises of the Supplier. It shall finish on the day that the Goods or Supplies are delivered to the address specified on the Order. Where Services or Supplies are subject to a quotation then the Lead Time shall not include the time during which the quotation is with RRC for approval. The Manufacturing Lead-Time shall not include time during which the Supplier is waiting on action required by RRC or RRC's customer, except for activities related to Supplier's non-conformance issues and is detailed in Erreur ! Source du renvoi introuvable.
Material Breach	Shall mean any breach that is "substantial" or "goes to the root of" the Agreement and shall include, but not be limited to, <ul style="list-style-type: none"> (a) any failures pursuant to Section 10.2; (b) false representations made by the Supplier including ones made in Sections 8.6 and 8.10; (c) failure to be competitive pursuant to Sections 8.9 and 11.3; (d) violation of Section 20; (e) failure of Supplier's Red Flag Resolution Process of Section 10.4.
Modification	Shall mean, during the performance of an Order, a request from RRC to alter, omit, add to, or otherwise vary an Order or alter any specifications to a Good.
Non-Conforming Items	Shall mean Goods and or Services that do not comply with the warranty or that are not manufactured, designed or delivered in compliance with the

Order terms and/or this Agreement.

Services	Shall mean design, manufacturing, servicing, repairing, repair development, testing and recertification, reconditioning, modification, or replacement or any combination thereof to the standards specified on the Order, or any other Services carried out by the Supplier pursuant to this Agreement. The Services may require the supply of a detailed Investigation report to RRC within the time limit specified on the Order.
Supplies	Shall mean any raw material or part thereof, or other associated equipment delivered to the Supplier for the performance of Services, and when the context so dictates, such Supplies upon which the Supplier has performed Services hereunder, in which case, such term will include any replacement parts or exchange parts incorporated therein.
Prices Payable	Shall mean the sum of the Base Price and Raw Material price to be paid by RRC for each Goods and/or Services.
Process Improvement Request ("PIR")	Shall mean the trigger for the "Red Flag Resolution Process", which is structured escalation process for the timely resolution and an eradication of problems, which works by applying differing degrees of process improvement depending on the complexity of the issue. A PIR will be instigated at each occurrence of undeclared non-conformance and on request for repeat concessions and unacceptable performance that requires process investigation. The Supplier will then be required to complete the PIR and adhere to the requirements laid down in the Red Flag Process.
Raw Material	Shall mean the metal requirements for the manufacture of the Goods.
Red Flag Resolution Process	Shall mean the status allocated by RRC to unsatisfactory (i.e. quality) suppliers, it is aimed at providing both a measured and structured framework to facilitate improvement.

2. APPLICATION

- 2.1 The long term nature of this Agreement will enable the Supplier to invest in equipment and develop processes, which will contribute to the improved quality, cost and delivery performance required by RRC in accordance with Section 9 below.
- 2.2 This Agreement, which shall be deemed to incorporate any appendix which the Parties have added to it and any terms on an Order, will be the only express terms which govern procurement of Goods or Services specified on an Order. Any other terms which the Supplier specifies will be of no effect.
- 2.3 Subject to Sections 28 and 29 below, for the avoidance of doubt, electronic communications shall be deemed to be made in writing.

3. ORDERS, QUOTATIONS AND FORMATION OF CONTRACTS

- 3.1 Where the Supplier issues a quotation to RRC for the supply of Goods or performance of Services then that quotation must be consistent with this Agreement and RRC's request for quotation. The Supplier's quotation will be open for RRC to accept for not less than sixty (60) days.
 - 3.1.1 The Supplier undertakes to obtain RRC's written consent prior to subcontracting any Services to third parties. RRC reserves the right to reject a subcontractor, proposed by the Supplier. In such circumstances the Supplier shall not be entitled to pass any Services to such subcontractor. Supplier warrants that the

subcontractor shall be considered as having assumed each and every term and condition hereof and as having taken up the exact same obligations and responsibilities as Supplier pertaining to the portion of the Services subjected to subcontracting. RRC's acceptance of subcontract shall not relieve the Supplier of all or part of its obligations hereunder and Supplier shall remain liable to RRC.

3.1.2 The Supplier shall, at the time of quotation, provide a statement listing:

- (a) all proposed sub-contractors; and
- (b) the address of such sub-contractors; and
- (c) the Goods to be manufactured or the type of Services to be performed by each proposed subcontractor; and
- (d) the proportion of Services to be carried out, or the proportion of the items to be manufactured by each proposed subcontractor expressed as a percentage of the Services or item.

3.2 RRC accepts no liability for orders for Goods or Services which are not placed on an official RRC Order in the form of the document attached hereto as Appendix 2.

3.3 For Supplies: RRC shall notify the Supplier on the Order as to which of the following actions are to be undertaken on the Supplies:

3.3.1 To carry out an Investigation: The Supplier will supply the Investigation report to RRC within the time specified on the Order. No other Services shall be undertaken on the Supplies subject to Investigation without the prior written consent of RRC. Unless there are specific delivery details on the Order, the Supplier shall retain such Supplies after Investigation until subsequently instructed by RRC. The cost of the Investigation will be borne by RRC, unless the fault or condition is determined to be the liability of the Supplier pursuant to this Agreement.

3.3.2 To repair/replace under warranty in accordance with Section 14 hereto.

3.3.3 To inspect the Goods and to provide and issue a written quotation and assessment report or Revised Quotation as the case may be. The Supplier shall not commence any further Services on the Goods until such quotation or Revised Quotation has been approved in writing by RRC.

3.3.4 To perform Services in accordance with the agreed price referenced on the Order.

3.3.5 The Supplier will acknowledge the receipt of Supplies by close of business on the Business Day following receipt and provide a regular status report relating to the Supplies.

3.4 Modifications:

3.4.1 Unless the Modification affects a material increase or decrease in the Prices Payable under the Order or materially changes the delivery date of previously ordered Goods or Services, Supplier will be deemed to have accepted and will carry out the Modification and be bound by the same conditions as though the Modification was stated in the Order. If the requested Modification materially increases or decreases the price or the delays the delivery date for any of the Goods or Supplies in the Order, then as soon as possible, but in no event later

than five (5) Business Days, after receiving the Modification, Supplier must notify RRC of the change in the price or the delay in the delivery dates that would be caused by the Modification. If Supplier fails to respond to RRC's Modification request within the specified five (5) -day period, Supplier will be deemed to have accepted the Modification and the Order will be deemed to have been amended accordingly.

3.4.2 If Supplier considers that the Modification will cause either a material increase or decrease in the price or a material delay in the delivery date, then within the five(5)-day period specified in Section 3.4.1, Supplier must provide RRC with the projected price or delay in delivery date. Supplier must determine the projections in good faith, based on industry standards and fair market conditions under the circumstances. Any increase or decrease to the price will be determined by **Erreur ! Source du renvoi Introuvable.**, if applicable. If RRC agrees to the revised price or new delivery date, the Parties will execute an amendment to the Order reflecting the Modification. If RRC does not accept Supplier's revised price or delivery date, RRC may withdraw the Modification or terminate all or part of the affected Order under Section 15.

3.4.3 It is understood that Modifications shall not be accepted or requested within a Freeze Period which shall be specified in **Erreur ! Source du renvoi Introuvable.** for each Good or Services.

4. DELIVERY AND PASSING OF TITLE

4.1 Delivery:

4.1.1 Goods: All risk of loss or damage to Goods shall pass to RRC upon delivery as instructed on the Order in accordance with the Incoterms provided on the Order, and if no Incoterms are provided on the Order, FCA, Supplier's facility (Incoterms 2000);

4.1.2 Supplies: Unless advised otherwise on RRC's Order, Supplies shall be delivered by RRC to the Supplier, DDP, Supplier's facility (Incoterms 2000) and title shall at all times remain with RRC or RRC's customer as appropriate;

4.1.3 Redelivery to RRC: Upon fulfillment of RRC's Order, Supplies shall be redelivered to RRC, FCA, Supplier's facility (Incoterms 2000);

4.2 Outside of the Freeze Period, RRC may by written notice to Supplier, postpone delivery of all or some of the Goods but such delay shall not be longer than one year. If within the Freeze Period, the delay for delivery shall not be longer than three (3) months. If RRC postpones delivery of any of the Goods, Supplier must store the Goods, advise RRC where the Goods are stored, and take all reasonable steps to safeguard the Goods and prevent their deterioration. If Supplier obtains any insurance on any such Goods, RRC must be named as an additional insured.

4.3 Packaging: The Supplier shall, at no additional charge to RRC, pack all Supplies and any hazardous Goods, if any, either in accordance with agreed standards, or if no standards exist, in accordance with Rolls-Royce plc's "Supplier Advanced Business Relationship" ("SABRe"), so as to ensure delivery in an undamaged and serviceable state. The Supplier shall be liable for all loss or damage, and any related expenses or claims, arising out of its failure to meet such packaging requirements. If any of the Goods contain any hazardous substances or require any special precautions to be taken to ensure safety in handling, transport, storage or use, Supplier must - prior to delivery of the Goods - furnish to RRC written details of the nature of those substances and the specific

precautions to be taken.

- 4.4 Notwithstanding that RRC may need to instruct Modifications to the Orders within Lead-Time, but before the Freeze Period, or that the Supplier may experience delay excusable under Section 5 of this Agreement, recognising that time is of the essence, the Supplier shall take all necessary actions, both normal and extraordinary to ensure timely deliveries as directed on an Order or according to RRC's Forecast.
- 4.5 Late delivery: In the event that delivery of Goods or Supplies to RRC is delayed beyond the Lead Time, and that the Supplier is not excused liability for such delay pursuant to Section 5, then, without prejudice to RRC's other rights and remedies, RRC at RRC's option may either:
- 4.5.1 require the Supplier to supply immediately, free of charge, a replacement unit of supplies identical to that which is undergoing Services. Such replacement must be acceptable to RRC and the requirements of RRC's customer; or
 - 4.5.2 If the Supplier is unable or unwilling to supply acceptable replacement supplies and as a consequence thereof, RRC may, from its own resources issue replacement supplies and the Supplier shall reimburse RRC the difference between the cost to RRC for those replacement supplies and the price that RRC would have been liable to pay for the Services should it have been done within the Lead Time; or
 - 4.5.3 require the Supplier to pay to RRC a penalty pursuant to Section 6.4.1. Such payment is without prejudice to RRC's right to terminate the Agreement and to any other rights under the terms and conditions herein or at law with respect to delays in delivery.
- 4.6 If expedited delivery is not included in the Order, RRC may, at its cost, arrange for expediting delivery of Goods, subject to other provisions of this Agreement that require, under certain circumstances, that Supplier bear the cost of expedited Delivery. Supplier will allow RRC's personnel reasonable access to Supplier's facilities and those of its subcontractors for expediting purposes. If requested by RRC, Supplier will supply schedules and progress reports for RRC's use in expediting.

5. EXCUSABLE DELAYS

- 5.1 The Parties agree that timely performance shall be a primary obligation of the Supplier, hence the Supplier will only be excused for delays in delivery or performance if it can show to RRC's reasonable satisfaction that such delay has been caused by circumstances outside its control, but without fault or negligence on its part, and if it has notified RRC in writing immediately upon becoming aware of such circumstances. In no event shall strikes and labour relations of the Supplier constitute an excusable delay under this Agreement. No Order will terminate as a result of such delay except that RRC may terminate an Order in whole or in part where the Supplier is so excused without incurring liability if such delay becomes substantial as determined by RRC.
- 5.2 The Supplier shall make all reasonable endeavours to mitigate the effects of such delay. For the avoidance of doubt, strikes, lockouts or other industrial action or disputes specific to the Supplier and/or its subcontractors or agents or any of their financial hardship shall not constitute an excusable delay.
- 5.3 In any event, the Supplier shall notify RRC in writing on becoming aware of any circumstances which may cause any failure to comply with the delivery terms.

6. CONFORMITY WITH ORDER

- 6.1 Goods and Services shall be supplied strictly in accordance with this Agreement; any Order issued under this Agreement and instructions specified in repair schemes, designs, drawings, service bulletins or any other specifications or instructions approved or issued by RRC pursuant to this Agreement. Goods and Services shall also be supplied in compliance with good engineering practice, all applicable standards and legislation. Goods must be delivered complete and with all instructions, warnings, and other data necessary for safe and proper operation. Goods that do not conform with this Section 6.1 will be deemed to be Non-Conforming Items.
- 6.2 If RRC accepts Goods or Services that do not conform to the Order or this Agreement, this shall not relieve the Supplier of its obligations to correct any non-conformance.
- 6.3 RRC may reject any Non-Conforming Items and will promptly inform Supplier of the non-conformance, stating in writing the nature of the non-conformance. RRC will not be deemed to have accepted any Goods or Services it has had a reasonable time to inspect same following delivery or, if later, within a reasonable time after any latent defects have become apparent.
- 6.4 Penalties and Liquidated Damages:
- 6.4.1 If delivery of the Goods and/or Services is delayed in respect of the delivery date specified in an Order, other than for reasons set out in Section 5 above, the Supplier shall pay RRC penalties at the rate of 2.5% (two and a half percent) of the value of the Goods or Services delayed for each complete week of delay up to a maximum of 10% (ten percent) of such value.
- 6.4.2 For every Supplier liable occurrence of the following incidents the Supplier shall pay RRC liquidated damages in the stated amounts for the purpose of compensating RRC's internal administration efforts only associated with such incident.

Incident	Liquidated Damages
Where RRC rejects a delivery of Goods upon inspection by RRC and before use by RRC	\$450.00
Where RRC gives written authorisation to use or release a Good that does not conform to the specified requirements (Concession)	\$550.00
Where RRC rejects Goods due to non-conformance found during RRC's assembly process	\$700.00
Where RRC rejects Goods due to receipt of a customer complaint and/or a customer rejects Goods	\$15,000.00
Where RRC raises a "Major Non-Compliance Report" due to a deficiency found during RRC's audit of the Suppliers quality management system.	\$13,500.00

- 6.4.3 The Parties agree that such liquidated damages represent a reasonable pre-estimate of the internal costs that RRC is likely to suffer as a result of such delay and/or incident. However, the amount listed above for the liquidated damages may be increased yearly by RRC's Quality department and Supplier hereby agrees to accept such changes as long as they reflect reasonable increases.

7. MANUFACTURING LEAD-TIME AND CAPACITY GUARANTIES

- 7.1 The Supplier shall have sufficient manufacturing capacity to meet the Forecast requirements of RRC, as communicated by RRC bi-yearly from RRC strategic procurement, and can be requested to the RRC strategic procurement contract administrator if not automatically transmitted to the

- Supplier. It is understood that RRC is providing forecasted quantities per calendar year, but shall not be considered by Supplier as a guarantee of business volumes.
- 7.2 In no event shall the Manufacturing Lead-Times for Goods scheduled or unscheduled on RRC's Forecast or for un-forecasted spares exceed the Manufacturing Lead-Times identified in **Erreur ! Source du renvoi introuvable.**
 - 7.3 A variation of forecast by two (2) months would be acceptable, unless inside the Manufacturing Lead-Time of the Supplier. Supplier and RRC agree to meet planned delivery of the Forecast, and to negotiate in good faith any schedule change Modification.
 - 7.4 RRC reserves the right to reschedule purchase orders or any part of a purchase order at any time, at its discretion, by notice to Supplier. The Supplier will use all reasonable efforts to re-schedule changes within the prescribed Lead-Time and the Supplier will provide regular updates of re-order Lead-Times to RRC, who will up-date their system accordingly.
 - 7.5 Manufacturing Lead-Time and capacity will be reviewed on a quarterly basis at location and time to be determined and agreed by Supplier and RRC.

8. PRICE AND PAYMENT

- 8.1 The Prices Payable listed in **Erreur ! Source du renvoi introuvable.** are composed of the Base Price which is fixed and firm and the Raw Material Price; only the Raw Material Prices may be subject to escalation during the whole Term of this Agreement according to **Erreur ! Source du renvoi introuvable.**
- 8.2 The Price Payable must include (i) all duties and levies in the country of origin of the Goods, excluding value added tax or equivalent tax, and (ii) all shipping and delivery costs for delivery of the Goods or Supplies. In addition, the Price Payable shall be inclusive of, without limitation, packing, packaging, service or carrying charges, permits, fees, licenses or any other charge whatsoever, unless specifically agreed to in writing by RRC. However, the Price Payable may be adjusted according to any applicable volume rebates and/or agreed to cost reductions specified in Section 9.
- 8.3 An Itemized Invoice shall be submitted in duplicate form to RRC's address to the attention of the Accounts Payable Department. The invoice shall contain the Order number, the description of the Goods supplied, the quantity, unit price and total price. Unless otherwise specified in an Order, terms of payment are net sixty (60) days.
- 8.4 RRC shall post payment to the Supplier on the last working day of the second month following the month in which the relevant Goods have been delivered or Services completed, provided that the Supplier has supplied such Goods or Services in accordance with the Agreement and where the Supplier is required to submit an invoice, such invoice is accurate and was received by RRC's Purchase Accounts Department within seven (7) days of despatch of Goods or completion of Services.
- 8.5 If RRC does not post payment in accordance with Section 8.4 above, the Supplier will be entitled to recover a sum from RRC equal to the interest which it pays or loses as the case may be in consequence of such late payment upon provision of evidence of such payment/loss. The amount so recoverable shall not in any event exceed a sum equivalent to interest at 1.0% above the TD Bank's Base Rate on the overdue payment for the period between the dates on which the payment was due and made. For these purposes, the TD Bank's base rate shall be that applicable at the date on which the overdue payment was due. The Parties acknowledge and agree that such payments are sufficient to compensate the Supplier for any such late payment.

- 8.6 RRC shall be liable for and will pay any sales, use, value added or similar taxes or fees levied by any Canadian Federal or provincial Government or agency thereof or any other government in connection with the Goods/ and or Services supplied which are chargeable to a buyer of goods or services. Supplier will include such taxes or fees on its invoices to RRC unless RRC provided to Supplier the proper documentation supporting the non-application of such taxes. When applicable, Supplier shall provide RRC upon request, a "Certificate of US value added" in accordance with NAFTA regulations. Supplier agrees to indemnify RRC against all loss resulting directly or indirectly from Supplier's delay in completing and returning such certificate to RRC and from incorrect information therein furnished by Supplier.
- 8.7 Raw Material: The Supplier shall provide RRC Raw Material cost information to enable RRC to benefit from the most competitive prices for Raw Material:
- 8.7.1 The Supplier agrees to use its position and expertise within the Raw Material market to advise RRC on when to forward buy Raw Materials and the extent of the forward cover.
 - 8.7.2 The Supplier agrees to give RRC reasonable notice before purchasing any Raw Material to support the manufacture of the Goods.
 - 8.7.3 RRC agrees to review the proposed commercial implications of the Raw material purchase provided by the Supplier within a reasonable time period. Following RRC's approval, Supplier will carryout the purchase. The agreed to prices shall be reflected in the Price Payable for the subsequent year and shall be agreed to before the end of Q3.
 - 8.7.4 RRC Forecast quantities will be used to calculate total Raw Material annual requirement. If the quantity is reduced for the year Y, remaining material will be used for the Y+1 requirement at year Y prices. In case year Y quantities exceed the protected quantity, RRC and the Suppliers will negotiate the Raw Material price for the additional volume.
- 8.8 Supplier certifies that the price proposed for the performance of Services or the provision of Goods have been arrived at independently, without consultation, communication, or agreement with any others for the purpose of restricting competition, and that Supplier has not and will not knowingly disclose the price, directly or indirectly, to any other offeror.
- 8.9 Supplier warrants that the Price Payable for the performance of Services or the provision of the Goods in accordance with the Order shall not exceed the selling price Supplier charges to its most favored customer for the same or substantially similar Services or Goods, whether performed for or provided to the Government or for or to any other purchaser, taking into account the quantity purchased and terms and conditions of sale. Supplier further agrees that in the event of an announced price reduction prior to redelivery of the Services or the delivery of Goods, said price reduction shall be passed on to RRC for the Services remaining to be performed or Goods not yet delivered.
- 8.10 Supplier warrants that it has not offered or given, and will not offer or give to any employee, agent, or representative of RRC, a payment, gratuity, or kickback for obtaining or rewarding favourable treatment by RRC with respect to the terms, conditions, price, performance, or award of an Order.
- 9. COST REDUCTIONS**
- 9.1 The Supplier will pursue Manufacturing Lead-Time and cost reduction opportunities during the Term of this Agreement and will reflect the achievements of such opportunities in price reductions and reduced Lead-Times and delivery to RRC. The Supplier undertakes to make full use of any customs

walvers and exemptions resulting from the application of special customs procedures.

- 9.2 Supplier shall provide to RRC the information necessary, including information in Section 8.7, to understand a detailed analysis of the Supplier's prices and costs for supplying the Goods and warrants that it will remain class-leading and competitive in the market by providing true cost reductions to RRC, if and when possible. The information shall be sufficient to allow RRC to evaluate all cost reduction proposals used by the Supplier and to complete a comprehensive RRC component cost worksheet ("CCW") for the Goods, or other similar worksheet as may be instructed by RRC from time to time.
- 9.3 If additional savings are available through Rolls-Royce volume deals on Raw Material and components, the Supplier, at RRC's request shall purchase said Raw Material with the Rolls-Royce named supplier(s), the benefits of which will be reflected in adjustments to the Prices Payable. For the avoidance of doubt RRC will receive 100% of the benefit of such reductions. If Supplier has an issue with an RRC named Supplier above, then; Supplier shall provide to RRC justifications on their reluctance to purchase Raw Material from said RRC named Supplier.
- 9.4 Where a RRC cost reduction proposal is implemented, the Base Price of the Goods affected shall be further reduced by by 100% of the additional cost saving.
Where a Supplier cost reduction proposal is implemented the Base Price of the Goods affected shall be further reduced by by 50% of the additional cost saving.
- 9.5 If any of the Goods are supplied by the Supplier to another RRC Supplier, then the Supplier agrees that the price applicable to such sales shall not exceed the Price Payable taking into account any difference in the terms with such other Supplier.

10. QUALITY CONTROL AND PERFORMANCE REQUIREMENTS

- 10.1 Inspection. RRC and its representatives reserve the right to inspect and test the Goods during manufacture, processing, or storage or prior to release. Any such inspections or tests will be conducted during normal business hours and with seven (7) days' advance notice to Supplier. In addition, Supplier must give RRC at least seven (7) days' prior written notice that the Goods or portions of the Goods are to be released for delivery to RRC. Supplier will provide RRC with all facilities reasonably required for the inspection and testing. If, as a result of inspection or testing, RRC is not satisfied that the Goods will conform in all respects with the Order or this Agreement, RRC will promptly inform Supplier of RRC's concerns and Supplier must take all necessary actions to ensure conformance. RRC's inspection or testing does not relieve Supplier of any liability under the applicable Order or this Agreement (whether before or after delivery), nor does it imply acceptance of the Goods.
- 10.2 To the extent applicable for the performance of this Agreement, Supplier will comply with all quality requirements of RR9000 SABRe Program (the "SABRe Program"), which are set out on the Rolls-Royce web site at www.suppliermanager-online.com and any other quality requirements set out in an order. Further, Supplier will present evidence to RRC that Supplier is in compliance or is making good faith efforts to come into compliance with ISO 14001 with respect to environmental issues, including in such areas as emissions; paint; selection of raw materials; selection of processes (e.g., painting, flushing, shot blasting, degreasing, and grinding); the impact of design on operation and maintenance; disposal of the products; and life cycle analysis. If there is a conflict between the requirements of the SABRe Program and this Agreement or an Order, this Agreement and the Orders shall govern.
- 10.3 The Supplier will endeavour to achieve a minimum Cpk score of 1.5, where calculated or identified by RRC.

- 10.4 If the Supplier fails to perform according to the STEP of the SABRe Program, a PIR shall be raised and the Supplier shall be submitted to the Red Flag Resolution Process. If the Supplier fails to meet the expectations of the Red-Flag then, RRC will have the right, without prejudice to its other rights and remedies, to terminate this Agreement in whole or in part without incurring any liability.
- 10.5 Supplier will be responsible for safe custody and maintenance of all specifications, drawings and other documentation which RRC supplies and which are necessary for the performance of an Order or this Agreement.
- 10.6 The Supplier agrees that RRC, RRC's customer shall have the right to enter the Supplier's facilities at reasonable times to inspect the facility, Goods, Services, Supplies and materials and property of RRC and RRC's customer. Such access will extend to all relevant records maintained by the Supplier for the purposes of the Agreement. Such inspection will not constitute or imply acceptance of any Goods, Services, Supplies or materials.
- 10.7 If requested by RRC, Supplier must timely provide any Certification of Point of Origin required for compliance with any import or export laws or regulations. Further, Supplier understands that no Goods shall be accepted without the relevant safety certification (CE, CSA, UL) and respective component markings as applicable specified within the FAIR or the specifications. A good received shall be considered without applicable certification shall be considered as Non-conforming.

11. PROGRAMMES AND CONTINUOUS IMPROVEMENTS

- 11.1 Without prejudice to RRC's other rights and remedies, the Supplier shall support RRC in its pursuit of a 40-day engine by committing to the 40-day engine improvement targets regarding lead time, quality, delivery and responsiveness contained in RRC SABRe 9000 document as may be amended from time to time.
- 11.2 The Supplier will work with individual RR project and engine build areas, through the single point of contact, in order to agree a logistics operating procedure which would enable the Supplier to wholly manage the supply chain for the Goods and be responsible for delivery to the RR project and engine build areas in accordance. Such operating procedure would include but not be limited to the following:
- 11.2.1 a should cost pricing model for the material;
 - 11.2.2 cost savings through efficiency gains and waste reduction by the use of cellular manufacture and lean manufacture/logistics processes.
- 11.3 In the event that any of the Goods have a pricing requirement and the Prices Payable are found during the duration of this Agreement to be uncompetitive, RRC reserves the right to withdraw such Goods from this Agreement without liability to RRC provided RRC shall first grant the Supplier the opportunity to become competitive with respect to such Good provided RRC first disclose sufficient details to Supplier to understand and confirm the areas of uncompetitiveness. Actions taken by the Supplier to become competitive must be completed within a reasonable time frame. RRC shall, if Goods are withdrawn from this Agreement in accordance with this Section, make reasonable endeavours to replace removed volumes.
- 11.4 If any of the Goods are superseded due to any modification then the superseding material(s), if of a substantially similar nature as reasonably determined by RRC, shall be added to the Goods unless Government contractual obligations on RRC prevent such addition without open competition. The Price Payable for any such superseding material(s) will equal to the Price Payable of the Good it replaces unless the cost model or the application of parametrics shows that the Price Payable should be adjusted, then the Parties will agree the new Price Payable based on such cost model and/or the parametrics. Such new Price Payable will become the Base Price and be subject to the

cost reductions in accordance with Section 9 above.

12. MONITORS

On request, the Supplier shall provide information showing the current status of all batches of Goods or Services in comparison to the planned status.

13. RRC PROPERTY

- 13.1 Any items, including tooling, which RRC may have loaned, bailed, consigned or supplied to the Supplier for the sole execution of Supplier's obligations pursuant to this Agreement or any Order will be at the Supplier's risk until delivered to RRC when requested or at the latest at the expiration or termination of the Agreement.

For further certainty, title for any tooling is partially or fully funded by RRC will vest in RRC unless otherwise agreed to with Supplier.

- 13.2 The Supplier shall retain such items in good condition during performance and after completion of an Order and shall not dispose of such items except in accordance with RRC's written instructions nor shall such items be used other than for the purpose of such Order without RRC's prior written consent.
- 13.3 The Supplier shall ensure that such items are at all times identified as "the property of Rolls-Royce Canada Limited" and do not become the subject of any encumbrance. The Supplier will produce and maintain an auditable register of such loaned, bailed or consigned items which will include but not be limited to details of serial numbers and ownership.
- 13.4 Supplier shall be responsible for safekeeping and maintenance of all specifications, drawings, and other documentation that RRC supplies to Supplier, and must protect the confidentiality of the documents, as provided in Section 20.

14. WARRANTY

- 14.1 The Supplier warrants to RRC that all Goods or Services delivered hereunder will conform to the Order terms and will be free from defects in material, workmanship, be fit for the uses and purposes intended and where the Supplier has responsibility for design, free from defects in design.
- 14.2 Notwithstanding any intermediate or final inspections, delivery acceptance, or payment by RRC, all warranties will be in effect for twenty-four (24) months from the date of installation of engine at customer, not to exceed thirty-six (36) months from the date of delivery of the respective Goods.
- 14.3 Without prejudice to any other rights and remedies of RRC, Supplier must at its own expense upon request by RRC promptly repair or replace any Non-Conforming Items within thirty-six (36) months after the date of delivery or twenty-four (24) months after first commercial use, whichever occurs first. If Supplier does not promptly correct or replace same, RRC may correct or replace the Non-Conforming Items at Supplier's expense. If the defect cannot be corrected by way of repair or replacement, Supplier shall reimburse the price paid by RRC for Non-Conforming Items, and shall in addition, reimburse all costs or damages incurred by RRC.
- 14.4 The foregoing warranties are in addition to all other warranties expressed or implied by law, including incidental or consequential damages.

15. TERMINATION

- 15.1 For convenience: Without prejudice to any of RRC's rights and remedies, RRC may terminate an Order in whole or in part by giving the Supplier notice in writing, identified as a notice of termination, whereupon all the Services on that Order shall cease:

15.1.1 RRC will pay the Supplier, in full and final satisfaction of all claims arising out of such termination:

- (a) the price of all Goods and/or Services which the Supplier has justifiably supplied and completed in accordance with such terminated Order or Contract or part thereof and which RRC has not paid for;
- (b) the actual, documented and reasonable bona fide costs of settling any claims for necessary termination of sub-contracts justifiably committed in respect of such terminated Order or part thereof provided the Supplier has included in such sub-contracts a termination for convenience Section in substantially the same terms as this Section 15.1, and if Supplier does not have a termination-for-convenience section in its sub-contracts, RRC will not be obligated to Supplier's costs to terminate the sub-contract; and
- (c) the cost to the Supplier of any justified and documented work-in-progress in respect of any Order or part thereof.

15.2 The amount payable to the Supplier under this Section 15.1 will not exceed the total amount that would have been payable to the Supplier for the complete performance of the Order. In the event of termination, the Supplier will submit notice of its claim within two (2) months of termination of the Order. Any finished Goods and/or Services and any Services in progress paid for by RRC under this Section 15.1 will be delivered to RRC in accordance with Section 4.1 above or held by the Supplier as RRC's property in accordance with Section 13 above.

15.2.1 In no event shall RRC pay:

- (a) cancellation charges
- (b) inventory charges of any kind.

15.3 If RRC has reasonable grounds for believing the Supplier will be unable to substantially fulfill its obligations pursuant to the Order or this Agreement, RRC may require the Supplier to provide reasonable written evidence that the Supplier will fulfil its obligations. If the Supplier fails to provide such evidence within fourteen (14) days of RRC's request RRC may treat that failure as a Material Breach and terminate the relevant Order or this Agreement in accordance with Section 15.4.

15.4 RRC will have the right, without prejudice to its other rights and remedies, to terminate any Order or this Agreement without incurring any liability, including but not limited to, any fees or charges for any work in progress, if the Supplier:

- 15.4.1 makes a general arrangement with its creditors;
- 15.4.2 ceases or threatens to cease to carry on its business or a substantial part of it or is unable to pay its debts;
- 15.4.3 enters into liquidation whether compulsory or voluntary, except as a solvent company for the purposes of amalgamation or reconstruction;
- 15.4.4 has an administrator or administrative receiver of the whole or part of its assets appointed; or
- 15.4.5 commits any Material Breach of any of its obligations under this Agreement or the Order which it fails to rectify within fourteen (14) days of written notice of that breach (no notice period shall apply for a breach of delivery terms).

- 15.5 RRC will effect termination under this Section 15 by issuing notice of termination in writing to the Supplier. Such notice will be effective twenty-four (24) hours after it is issued.

16. CONTINUATION OF SUPPLY

- 16.1 Without prejudice to RRC's other rights and remedies, if RRC has cause to terminate the Agreement and/or this Agreement in whole or in part, then the Supplier shall continue to be obligated to accept Orders in accordance with Section 3 above at the then current Price Payable and shall ensure conformance to such Orders in accordance with Section 6 of the Agreement until such time as RRC has secured a satisfactory alternative source of supply for a term of twenty-four(24) months.

- 16.2 The Supplier shall, so far as it is reasonably able, bind its sub-contractors to conform with requirements equivalent to those of this Section 16.

17. SUPPLY OF PERSONNEL

Any personnel which the Supplier provides to carry out the Services will at all times continue to be employed by the Supplier. The Supplier shall ensure that any such personnel will, whilst on RRC's premises, comply with RRC's "General Conditions of Services on Site", copies of which are available on request.

18. DEVELOPMENT SERVICES AND PROPRIETARY RIGHTS

- 18.1 If any Services or manufacture of Goods involves research or development that is funded by RRC, then all Intellectual property rights in the results thereof will vest in RRC.
- 18.2 All designs, drawings, processes and developments by RRC and all intellectual property rights, copyrights and other proprietary rights (including know-how) supplied by RRC under this Agreement and/or any Order shall remain the sole and undivided property of RRC.
- 18.3 All designs, drawings, processes and developments by the Supplier and all Intellectual property rights, copyrights and other proprietary rights (including know-how) arising in connection with the Supplier's performance under this Agreement or an Order are generated by the Supplier in the sole and undivided interest of RRC and are fully compensated by the price paid for Goods and Services under any Order and all Intellectual property rights in the results thereof will vest in RRC.
- 18.4 Intellectual Property for the manufacturing and machining processes used in this Agreement and developed by Supplier will be owned by Supplier. Supplier may supply such Intellectual Property to RRC on demand at a mutually agreed to price.
- 18.5 Supplier may use RRC's intellectual property only to the extent necessary to perform Supplier's obligations under this Agreement or any Order.
- 18.6 Supplier and RRC shall require their employees to sign all papers and do such acts as are reasonably necessary for Supplier and RRC to pursue formal protection of any anticipated intellectual property rights.

19. PROPRIETARY RIGHTS LIABILITY

- 19.1 If any allegation is made or any claim asserted against RRC, or any person claiming title from or through RRC, that any act done or proposed to be done in relation either to Goods or to any article or material on which Services has been carried out constitutes a violation or infringement of any patent, copyright, registered design or other proprietary right held by a third party, Supplier shall indemnify RRC against and save RRC harmless from any loss or damage (including without limitation all costs and expenses) arising directly or indirectly out of such allegation or claim unless

the allegation or claim is the direct result of a design or process originated and furnished by RRC.

- 19.2 Supplier shall further procure for RRC the right to continue the use of Goods or any article or material on which Services has been carried out, or replace them with substantially equivalent non-infringing Goods, article or material or modify the Goods at Supplier's expense so they no longer infringe should the manufacture, use or sale of the Goods ordered be made the subject of any such suit or claim as described in Section 19.1 above, and to grant to RRC a worldwide, non-exclusive, royalty-free, irrevocable license to repair or have repaired the Goods.

20. CONFIDENTIALITY

The Parties shall be bound by the NDA/2006-0227 signed on January 21st, 2007.

21. REPRESENTATIONS AND WARRANTIES

21.1 Supplier hereby represents and hereby declares that:

- 21.1.1 It has the qualifications, skills and expertise required to carry out the Services and manufacture the Goods within the prescribed requests of RRC;
- 21.1.2 It possesses sufficient knowledge of RRC's business processes to carry out the Services and or manufacture the Goods;
- 21.1.3 It is a corporation duly formed and in good standing under the laws of Ontario and is qualified and registered to transact business in all locations where the performance of its obligations hereunder would require such qualification;
- 21.1.4 It has all necessary rights, powers, and authority to enter into and perform this Agreement, and the execution, delivery, and performance of this Agreement and it has been duly authorized by all necessary corporate action;
- 21.1.5 The execution and performance of this Agreement by the Supplier will not violate any law, statute, or regulation and will not breach any agreement, covenant, court order, judgment, or decree to which the Consultant is a Party or by which it is bound.

22. RRC CUSTOMER CONTRACT CONDITIONS

- 22.1 In order to meet the requirement of the customer, RRC may be required to accept and agree, in its contract with that customer, on terms which were not previously set forth in this Agreement ("Contractual Terms"). In such event, the Parties will, on request from RRC, negotiate a mutually agreeable amendment to the terms of this Agreement corresponding to such Contractual Terms, in respect of Orders for Goods or Services related to that customer.
- 22.2 Without prejudice to Section 22.1, if RRC is required to flow down to its Suppliers any appropriate regulations or requirements of a Government, the Supplier agrees to accept the inclusion of such regulations or requirements in the relevant Order.
- 22.3 The Supplier agrees to comply with all Federal, state, provincial, and local laws, executive orders, rules, regulations and ordinances which may be applicable to the Supplier's performance of its obligations under this Agreement or any Order.

23. OFFSET/COUNTERTRADE

RRC may be obliged to make offset and/or countertrade arrangements in a particular country with a particular customer under a contract for the sale of RRC products which incorporate Goods or Services. If RRC so requests, the Supplier shall negotiate with RRC with the object of the

Supplier fulfilling a proportion of the total offset obligation equal to the proportion of the price paid by the customer for the products which the Supplier's Goods or Services represent.

24. EXCLUSION OF AGENCY AND LICENCE

24.1 The Supplier will not do anything that might result in other parties believing that it has authority either to contract on behalf of RRC or is a licensee of RRC.

24.2 In particular and without prejudice to the generality of Section 24.1 above, the Supplier shall not, without the prior written permission of RRC, manufacture or supply to third parties any Goods or parts of a similar nature to those of RRC's, utilising technical information supplied or derived from RRC. This Agreement shall not include any express or implied licence whatsoever. In no event shall Supplier undergo PMA (Part Manufacturing Approval) activities on any Rolls-Royce products.

25. PUBLICITY

The Supplier shall not refer to RRC's name, the company's trademarks or products in connection with any publicity without the prior written permission of the Commercial Services department at RRC.

26. WAIVER

Failure by RRC at any time to enforce any term of this Agreement or any Order Term shall not be construed as waiver by RRC of such term or Order Term.

27. CONFLICT

If there is a conflict of terms the order of precedence shall be:

- 1-terms appearing on the front of an Order
- 2-appendices
- 3-this Agreement (excluding appendices)

28. ASSIGNMENT AND THIRD PARTY RIGHTS

Except as expressly provided for in Section 3.1 of this Agreement, the Supplier will not assign or transfer any of its rights and obligations under this Agreement or any Order. Any such purported assignment shall be null and void.

29. NOTICES

Any notices or other documents to be served under this Agreement or any Order shall be in writing and addressed to the party to be served at its address given in this Agreement or any other address as may be notified. Such notices may be delivered by hand or sent by fax or recorded delivery post.

30. GOVERNING LAW AND JURISDICTION

30.1 This Agreement shall be governed by and in accordance with the laws of the Province of Quebec, Canada. The Supplier and RRC hereby agree to exclude the application of the United Nations Convention for the International Sale of Goods (Vienna Convention).

30.2 The Parties consent to the exclusive jurisdiction of the Superior Court, District of Montreal, Quebec, Canada, in any suit, action or proceeding brought by either party under this Agreement and any matter related thereto. Each of the Parties agrees not to seek, and hereby waives, any review of the judgment of any of the aforesaid courts by any court of any other state, nation or jurisdiction which may be called upon to grant an enforcement of such judgment.

31. AMENDMENT

This Agreement shall not be amended other than by an agreement in writing stating it expressly

amends this Agreement.

32. ENGLISH LANGUAGE

The Parties confirm that they have requested the present Agreement and any correspondence related thereto to be drawn up in the English language. Any dispute in relation to this Agreement will be conducted in English.

French Translation of above: Les Parties aux présentes confirment qu'il est de leur volonté expresse que la présente convention ainsi que toute correspondance s'y rattachant, soit rédigée dans la langue anglaise. Tout litige relatif à cette convention sera conduit en anglais.

33. HEADINGS

The Index and Section headings used in this Agreement are for convenience only and will not affect the meaning or construction of this Agreement.

34. SURVIVAL

34.1 After termination of this Agreement its terms shall continue to apply to any Orders created before such termination.

34.2 The provisions of Sections 13, 19, 20, 24 25, 30 and this Section 34 shall survive any termination of this Agreement.

35. SEVERABILITY

If any provision of this Agreement is declared by any judicial or other competent authority to be void, voidable, illegal or otherwise unenforceable, or indications to that effect are received by either of the Parties from any competent authority, the Parties shall amend that provision in such reasonable manner as achieves the intention of the Parties without illegality.

36. EXCLUSION OF OTHER PROVISIONS AND PREVIOUS UNDERSTANDINGS

The Parties agree that they have not placed any reliance whatsoever on any representations, agreements, statements or understandings made prior to the signature of this Agreement whether orally or in writing relating to the subject of this Agreement other than those expressly incorporated in this Agreement, which have been agreed on the basis that its provisions represent their entire agreement for these Services or production of Goods and shall supersede all such prior representations, agreements, statements and understandings.

37. SUPPLIERS OWNERSHIP

If the Supplier becomes, during the Term of this Agreement, subject to full or partial control of, or part of a joint venture with, another company, then RRC shall, without prejudice to its other rights and remedies and without incurring any liability whatsoever, have the right to terminate this Agreement and/or any Order (in whole or in part), after having given the Supplier due notification.

38. DATA PROTECTION

38.1 Insofar as either Party and/or its contractors collect personal information, that Party shall ensure and procure that it and its contractors only collect and process such personal information only in accordance with the provisions of the *Quebec Act Respecting the Protection of Personal Information in the Private Sector* and Canada's *Privacy Act* and any regulations related to them or any modification or re-enactment of them being in force (collectively the "**Data Protection Legislation**") and shall use reasonable endeavours to procure that its contractor's acts or omissions do not, place the other Party in breach of the Data Protection Legislation.

38.2 The Supplier shall indemnify RRC against all losses, costs, expenses, damages, liabilities, demands, claims, actions or proceedings that RRC may incur arising out of any breach of this Section 38."

39. INDEMNIFICATION

39.1 Without prejudice to the other recourses available to RRC, Supplier hereby indemnifies, releases, and will defend RRC, its affiliates, subcontractors, customers, and its and their employees, directors, officers, agents, invitees, and insurers ("RRC Group") from and against any and all loss, cost, damage, liability, including reasonable costs and settlements ("Claims") arising from or relating to:

39.1.1 any and all Claims made against RRC Group by reason of injury or death to any person or damage to property, suffered or claimed to have been suffered by any person, firm, corporation, or other entity caused by or alleged to have been caused by Goods or Services furnished under this Agreement or by any act or omission, negligent or otherwise, of Supplier or any subcontractor of Supplier or any of their employees, workmen, representative, servants, or agents ("Supplier Group");

39.1.2 any and all Claims of damage to RRC Group's property, including but not limited to property occupied or used by, or in the care, custody or control of Supplier, caused or alleged to have been caused by Goods furnished under this Agreement or by any act or omission, negligent or otherwise, of Supplier Group; and

39.1.3 any and all Claims made against RRC Group by reason of injury or death to person or damage to property of any of Supplier Group, regardless of how the injury or death or damage was caused or alleged to have been caused or suffered or claimed to have been suffered;

39.1.4 any and all liabilities, claims, fines, civil and criminal penalties, including reasonable costs and settlements, that may arise out of or relating to, directly or indirectly, the failure of Supplier to comply with Section 4.3 (Hazardous Goods), Section 10.7 (Certifications), Section 21 (Quality Control Requirements), Section 24 (Exclusion of Agency and License), or Section 21.1.5 (Compliance with Laws).

40. INSURANCE

40.1 Supplier must carry insurance in coverages and in amounts to support its obligations under the applicable Order and as specified in the Order, but in no event less than the following coverage and amounts:

Workers Compensation:

Statutory Benefits

Employers Liability:

Bodily Injury by Accident
Bodily Injury by disease
Bodily Injury by Disease

\$1,000,000 each accident
\$1,000,000 each employee
\$1,000,000 policy aggregate

Auto Liability:

Bodily Injury and
Property Damage combined

\$1,000,000 each accident

Umbrella Liability: \$5,000,000

Commercial General Liability (including product liability and completed operations), occurrence basis, including premises and operations, independent contractors, products and completed operations, blanket contractual liability, additional insured as required under contract, broad form property damage.

Each Occurrence	\$1,000,000
Personal/Advertising Injury	\$1,000,000
Products/ Completed Op	\$2,000,000
Fire Damage Legal Liability	\$ 100,000

Umbrella Liability \$10,000,000


40.2 All such policies, and any other policies maintained by Supplier in relation to this Agreement, must contain a waiver of subrogation in favour of RRC and its respective affiliates. All such policies must include RRC and its affiliates as additional insureds. If requested by RRC, Supplier will provide transit and cargo insurance. If requested by RRC, Supplier will provide a certificate of insurance from Supplier's insurance carrier, in a form satisfactory to RRC, to evidence the required insurance. The requested certificate must be provided within five (5) business days after RRC's request. If Supplier fails to provide the required certificate within the required time, RRC may (i) suspend Supplier's performance of the affected Order for a specified period of time, and any costs incurred by RRC as a result of the delay will be borne by Supplier, or (ii) terminate the applicable Order for cause under Section 15.4. All policies shall provide that RRC is to be notified in writing by the insurer of any threatened cancellation or material modification and that the cancellation or modification will not take effect until at least 30 days after delivery of the notice to RRC.

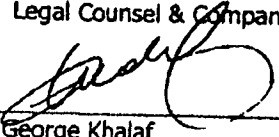
41. TERM

Unless if terminated in accordance with Section 15 above, this Agreement shall be valid for a period of three (3) years as of the date first indicated above (the "Term") but shall be renewable under the same terms and conditions for another two (2) year period by mutual agreement to be made in writing three (3) months prior to the expiration of this Agreement.


SIGNED

ROLLS-ROYCE CANADA LIMITED


Name: Sophie Douville
Title: Legal Counsel & Company Secretary


Name: George Khalaf
Title: Manager, Commercial

KK PRECISION, A DIVISION OF PRECINDA LIMITED


Name: George Koulakian
Title: Vice President Operations

APPENDIX 1

COST INFORMATION , LEAD-TIMES AND FREEZE PERIODS

(Price Payable = Base price + total hardware cost including adm fees)

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN16556	GTR1083	\$28,487.45	10,823 \$	37,328 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
TRN16537	2	\$1,175.00	4,737 \$	36,437 \$	138
NTR2999	3	\$300.00			49
Total		\$1,475.00			

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN14620	GTR1078	\$25,080.00	10,191 \$	35,181 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
AGS3734	5	\$29.08	178 \$	35,357 \$	112
AGS3722	4	\$5.78			58
AGS3707	2	\$19.72			
AGS3709	2	\$45.36			
AGS370615	3	\$52.54			
Total		\$152.48			

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN15613	GTR1081	\$7,738.40	5	7,758 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
TRN11592	4	\$338.50	362 \$	8,131 \$	98
AS44808	1	\$15.00			48
Total		\$353.50			

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN14654	GTR1038	\$8,286.26	1,119 \$	11,066 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
TRN10090	20	\$1,528.30	8,488 \$	18,556 \$	118
TRN10090	18	\$1,698.83			
AGS3784	94	\$437.10			
AS44808	12	\$383.84			
AS44808	8	\$181.74			
EPBOND	17	\$749.00			
Total		\$4,877.87			

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN12362	PTN1116	\$5,209.32	1,458 \$	9,758 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
AS44817	4	\$169.80	177 \$	6,893 \$	96
Total		\$169.80			

	Free Issued New material PN	Process		
		Machining	Outside Process	
TRN10089	PTN1108	\$4,000.82	779 \$	8,082 \$

Supplier Procured hardware					
PN	Qty/yr	Hardware Cost			Price Payable
TRN10103	36	\$2,232.72	4,148 \$	6,727 \$	98
TRN10104	18	\$1,439.84			
AGS3733	18	\$82.10			
Total		\$3,754.66			

APPENDIX 1

COST INFORMATION, LEAD TIMES AND FREEZE PERIOD (Price Payable = Base price + total hardware cost including adm fees)

	Free Issued Raw material PN	Process		
		Blanking	Outside Process	
TRN17316	PTN1278	\$10,584.20	1,165 \$	11,778 \$

Supplier Procured hardware				
PN	Qty/Box	Hardware Cost		
AD48407	8	\$22.50	18,441 \$	
BLT5567	41	\$1,691.72		
U782403	3	\$182.70		
AGS3422	102	\$8,283.60		
AGS3731	6	\$20.84		
TRN14874	20	\$1,712.40		
NTR1982	3	\$2,081.42		
NTR1993	1	\$897.14		
NTR1994	1	\$484.74		
NTR1998	1	\$484.74		
Total		\$14,811.00		

	Free Issued Raw material PN	Process		
		Blanking	Outside Process	
TRN16267	QTR1074	\$24,506.00	8,547 \$	33,143 \$

Supplier Procured hardware				
PN	Qty/Box	Hardware Cost		
AGS3731	2	\$6.90	678 \$	
AGS3732	78	\$170.62		
AGS3733	6	\$27.50		
TR-11000	36	\$36		
MSR01008	15	\$408.00		
Total		\$612.48		

	Free Issued Raw material PN	Process		
		Blanking	Outside Process	
TRN10084	QTR1091	\$20,540.00	1,088 \$	21,628 \$

Supplier Procured hardware				
PN	Qty/Box	Hardware Cost		
AD44817	4	\$159.80	5,478 \$	
AD44808	1	\$18.00		
AGS3739	48	\$281.28		
NPM4808	48	\$4,478.00		
Total		\$4,837.08		

	Free Issued Raw material PN	Process		
		Blanking	Outside Process	
TRN17482		\$34,888.00	- \$	34,888 \$

Supplier Procured hardware				
PN	Qty/Box	Hardware Cost		
AGS3708	4	\$90.72	2,787 \$	
AGS3707	78	\$182.88		
AGS3732	127	\$318.13		
AGS3734	220	\$177.20		
AGS3735	90	\$246.80		
AGS1816	90	\$913.50		
Total		\$2,438.11		

	Free Issued Raw material PN	Process		
		Blanking	Outside Process	
TRN101835		\$5,118.87	891 \$	5,857 \$

Supplier Procured hardware				
PN	Qty/Box	Hardware Cost		
			5,857 \$	
Total		\$0.00		

APPENDIX 1 **COST INFORMATION, LEAD TIMES AND FREEZE PERIOD**

	Free Issued	Process		
	Raw material PN	Machining	Outside Process	
TRN14904		\$7,049.50	1,139.9	11,108.9

Supplier Procured hardware				
PN	Qty	Hardware Cost		
AS27557	150	\$1,094.00	2,461.9	13,559.9
AS27305	20	1,356.00		
Total		\$2,450.00		

	Free Issued	Process		
	Raw material PN	Machining	Outside Process	
TRN14907		\$2,072.50	7,718.9	11,797.9

Supplier Procured hardware				
PN	Qty	Hardware Cost		
AG27732	24	\$22.25	534.0	12,043.9
AG27733	24	\$2.80		
AG27731	28	\$7.71		
TRN14906	1	\$22.75		
Total		\$54.51		

	Raw material PN	Process		
		Machining	Outside Process	
TRN14908	GTR1051	\$2,446.00	2,086.9	10,513.9

Supplier Procured hardware				
PN	Qty	Hardware Cost		
AG27751	12	\$48.90	20,536.9	40,543.9
AG27752	10	\$2.30		
AG27754	10	\$23.75		
GTR1051	1	\$2,446.00		
Total		\$74.95		

Price Payable = Base price + total hardware cost including adm fees

APPENDIX 2

**AMENDMENT NUMBER ONE (1), DATED OCTOBER 28, 2010 TO THE
AGREEMENT RRC/LTA 2007-0033, DATED JANUARY 31, 2007**

BETWEEN:

ROLLS-ROYCE CANADA LIMITED, a duly constituted corporation under the *Canada Business Corporations Act* with its head office at 9500 Côte-de-Liesse, Lachine, Québec, Canada, H8T 1A2

(Hereinafter called "RRC")

And:

KK PRECISION INC., a corporate body with its head office at 104 Oakdale Road, Toronto, Ontario, Canada, M3N 1V9

(Hereinafter called "Supplier")

(Hereinafter individually also called the "Party" and collectively the "Parties")

BACKGROUND:

On January 31, 2007 the Parties have entered into an Agreement for the Supply of Goods or Services, RRC/LTA 2007-0033 (the "2007 Agreement").

The Parties wish to amend the 2007 Agreement in order to extend the term of the 2007 Agreement and to proceed with other changes.

Clause 31 of the 2007 Agreement provides that no modification of the 2007 Agreement shall be binding unless it is agreed to in writing by the Parties.

The Parties now wish to amend the 2007 Agreement as indicated hereafter.

AGREED TERMS:

1. Clause 8.3 of the 2007 Agreement is hereby deleted in its entirety and is replaced by the following:
"8.3 Supplier shall issue an itemized monthly invoice for Services rendered, expenses incurred or for Goods supplied during the previous month and payment shall be made within net seventy-five (75) days from the reception of such invoice."
2. Pursuant to Clause 41 of the 2007 Agreement, the Parties hereby confirm that they agree to extend the 2007 Agreement for another two (2) year period starting January 31, 2010 and ending January 31, 2012.
3. As of and from May 17, 2010, Appendix 1 "Cost Information, Lead-Times and Freeze Periods" is hereby deleted in its entirety and is replaced by the Appendix 1-2010 "Cost Information, Lead-Times and Freeze Periods" which is attached hereto as Schedule 3.

DM.
K

4. Clause 9.6 below is hereby added to the 2007 Agreement:

"9.6 Supplier hereby acknowledges that there will be a phase II to the cost reduction opportunities starting in 2011 that will reflect the price reductions and reduced Lead-Times and delivery to RRC indicated in Appendix 9.6 attached hereto."

A new Appendix 9.6 in the form of Appendix 9.6 attached hereto is annexed to the 2007 Agreement and becomes part of said agreement.

5. Clause 9.7 below is hereby added to the 2007 Agreement:

"9.7 Supplier acknowledges that other cost reduction proposals may be implemented which may result in the revision of the Prices Payable."

6. Except as amended herein, all the provisions of the 2007 Agreement shall remain unchanged and in full force and effect.

7. This Amendment Number One (1) to the 2007 Agreement is governed by and shall be construed in accordance with Clause 30 of the 2007 Agreement.

8. **EFFECTIVE DATE**


Notwithstanding the date of execution of this Amendment Number One (1) to the 2007 Agreement by any Party, this Amendment shall be effective as of and from October 29, 2010.

IN WITNESS WHEREOF the Parties have executed this Amendment Number One (1) to the 2007 Agreement.

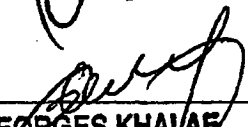
For **ROLLS-ROYCE CANADA LIMITED:**

For: **KK PRECISION INC.**

Name: 
Title: **Legal Counsel and
Corporate Secretary**

Name: 
Title: **George Koulakian
Vice President**

Dec 17/10

Name: 
Title: **GEORGES KHALFAP
HEAD OF COMMERCIAL
ROLLS-ROYCE CANADA LTÉE**



SCHEDULE 3

**Appendix 1-2010
Cost Information, Lead-Times and Freeze Periods**

Appendix 1-2010 shall be effective as of and from May 17, 2010.

See the document attached hereto.

D.M.
[Signature]

Last Update - 16th May 2010 - R. Brattle

ROLLS-ROYCE PRICE REDUCTIONS

Part	Current Price	Reduction	New Price	Savings per Part
LW100323	4,812.56 \$	2.00%	4,716.31 \$	96.25
TRN10099	9,740.00 \$	2.00%	9,545.20 \$	194.80
TRN101800	6,331.81 \$	2.00%	6,205.17 \$	126.64
TRN14694	18,108.83 \$	2.00%	17,746.85 \$	362.18
TRN14784	6,175.00 \$	2.00%	6,051.50 \$	123.50
TRN14788	4,413.68 \$	2.00%	4,325.41 \$	88.27
TRN14820	36,357.00 \$	2.00%	35,629.86 \$	727.14
TRN14856	960.00 \$	2.00%	940.80 \$	19.20
TRN15566	39,457.00 \$	2.00%	38,667.86 \$	789.14
TRN15613	8,131.00 \$	2.00%	7,968.38 \$	162.62
TRN17193	13,746.00 \$	2.00%	13,471.08 \$	274.92
TRN17319	28,211.00 \$	2.00%	27,646.78 \$	564.22
TRN17462	37,597.00 \$	2.00%	36,845.06 \$	751.94
TRN17598	7,439.68 \$	2.00%	7,290.89 \$	148.79
TRN100137	470.00 \$	5.00%	446.50 \$	23.50
TRN100876	743.65 \$	5.00%	706.47 \$	37.18
TRN100877	738.65 \$	5.00%	701.72 \$	36.93
TRN101022	546.70 \$	5.00%	519.37 \$	27.34
TRN101025	5,807.00 \$	5.00%	5,516.65 \$	290.35
TRN13335	1,165.00 \$	5.00%	1,106.75 \$	58.25
TRN13862	6,933.00 \$	5.00%	6,586.35 \$	346.65
TRN14931	1,209.00 \$	5.00%	1,148.55 \$	60.45
TRN14982	7,204.68 \$	5.00%	6,844.45 \$	360.23
TRN14998	13,659.00 \$	5.00%	12,881.05 \$	677.95
TRN15049	644.00 \$	5.00%	611.80 \$	32.20
TRN15702	836.00 \$	5.00%	794.20 \$	41.80
TRN15741	9,339.00 \$	5.00%	8,872.05 \$	466.95
TRN17056	4,874.77 \$	5.00%	4,631.03 \$	243.74
TRN17059	6,484.80 \$	5.00%	6,160.56 \$	324.24
TRN14806	43,506.86 \$	5.65%	41,047.55 \$	2459.31
TRN13940	5,755.74 \$	10.00%	5,180.17 \$	575.57
TRN13941	5,309.63 \$	10.00%	4,778.67 \$	530.96
TRN13942	5,755.74 \$	10.00%	5,180.17 \$	575.57
TRN13943	5,309.63 \$	10.00%	4,778.67 \$	530.96
TRN15267	33,820.00 \$	0.00%	33,820.00 \$	0.00
TRN16097	12,043.00 \$	0.00%	12,043.00 \$	0.00

393,536.41 \$

381,406.65 \$

3% SAVING

ALL PRICES
IN
CANADIAN
DOLLARS,
Effective
May 17th
2010

YM10094	\$27,110.00	0.00%	\$27,110.00	\$-	No savings yet identified
YM10178	\$4,975.00	10.00%	\$4,477.50	\$497.50	As per TRN13941
YM13776	\$33,820.00	0.00%	\$33,820.00	\$-	As per TRN15267
YM13777	\$39,457.00	2.00%	\$38,667.86	\$789.14	As per TRN15566

D.M.
5

SCHEDULE 4

**Appendix 9.6
Phase 2 - Rolfe-Royce price reductions**

See the document attached hereto.

D.M.
8

PHASE 2 ROLLS-ROYCE PRICE REDUCTIONS

Part	Original Order Book Price	Jan '12 Price	Jan '12 Reduction	Jan '12 Savings per Part	Annualized Savings (30 Shipsets)	Action	Owner	Timing	
									Need CCW
						Complete SABRe source change documentation	KKP	30-Jul	
						Approve change	RRC	06-Aug-10	
						Create risk review & transfer plan	KKP	20-Aug-10	
						Issue PO for new supplier	KKP	30-Aug-10	
						Manufacture parts	FR	30-Nov-10	
						FAIR / Substantiation	RRC	30-Dec-10	
									Need CCW
						Complete SABRe source change documentation	KKP	30-Jul	
						Approve change	RRC	06-Aug-10	
						Create risk review & transfer plan	KKP	20-Aug-10	
						Issue PO for new supplier	KKP	30-Aug-10	
						Manufacture parts	FR	30-Nov-10	
						FAIR / Substantiation	RRC	30-Dec-10	
									Need CCW
						Complete SABRe source change documentation	KKP	30-Jul-10	
						Approve change	RRC	06-Aug-10	
						Create risk review & transfer plan	KKP	20-Aug-10	
						Issue PO for new tooling to KKP	RRC	30-Aug-10	
						Manufacture tooling (14wks)	CPP	17-Dec-10	
						Place PO for parts	KKP	30-Aug-10	
						Approve MOM & data cards	RRC	30-Oct-10	
						Manufacture parts	CPP	01-Apr-11	
						FAIR / Substantiation	RRC	30-Apr-11	
						Production part manufacture	CPP	15-Jul-11	
TRN14694	\$ 18,108.83	\$ 15,573.59	14%	\$ 2,535.24	\$ 76,057.08	Source change in material from Mitchell to ??? This material is currently purchased by RRC, but is on the list of parts to be transferred to KKP.	KKP / RRC	Jul'10 - Jul'11	More Info
						Determine feasibility of transfer - cost saving / payback period	KKP	30-Aug-10	

FW

					Complete SABRe source change documentation	KKP	15-Sep-10
					Approve change	RRC	30-Sep-10
					Create risk review & transfer plan	KKP	15-Oct-10
					Transfer purchase of material to KKP	RRC	TBD
					Manufacture tooling (14wks)	???	30-Jan-11
					Place PO for parts	KKP	30-Oct-10
					Approve MCM & data cards	RRC	30-Dec-10
					Manufacture parts	???	01-Jun-11
					FAIR / Substantiation	RRC	30-Jun-11
					Production part manufacture	???	15-Sep-11

Transfer

					Redesign manufacturing process	KKP	30-Sep-10
					Tooling & fixture design	KKP	30-Nov-10
					Reprogram machines	KKP	30-Dec-10
					Manufacture & Insp part	KKP	30-Mar-11

Transfer

					Redesign manufacturing process	KKP	30-Nov-10
					Tooling & fixture design	KKP	30-Jan-11
					Reprogram machines	KKP	28-Feb-11
					Manufacture & Insp part	KKP	30-May-11

YM13776	\$ 33,820.00	\$ 27,056.00	20%	\$ 6,764.00	\$ 33,820.00	As TRN15267	
YM13777	\$ 39,457.00	\$ 30,776.48	22%	\$ 8,680.54	\$ 43,402.70	As TRN15566	

W.C.

SCHEDULE "E"
Rolls-Royce Engineering Agreement

LONG TERM PRICING AGREEMENT

**Between Rolls-Royce Power Engineering Plc.
&
KK Precision Inc**

**For the supply of Gas Turbine Casings for the
MT30 Programme**

Contract Document Ref: NM004 - Issue 1



THIS AGREEMENT is made this 25th day of August 2009 BETWEEN

- 1) **ROLLS-ROYCE POWER ENGINEERING PLC**, a company registered in England under No. 1305027, whose registered office is Moor Lane, Derby, DE24 8BJ and with offices at Neptune House, PO Box 31, Bristol BS34 7QE (hereinafter referred to as "Rolls-Royce") of the one part; and
- 2) **KK Precision Inc.** whose registered office is situated at 104 Oakdale Road, Toronto, Ontario, Canada, M3N 1V9, (hereinafter referred to as "KK Precision") of the other part.

Rolls Royce and KK Precision may hereinafter be separately referred to as "the Party" or collectively referred to as "the Parties".

WHEREAS

Whereas the parties wish to enter into a contractual relationship to establish terms, delivery periods and pricing for the purchase and sale of Gas Turbine Casings for the MT30 Programme and in consideration of mutual promises, Rolls Royce and KK Precision agree as follows:

Parties agree to:

- Work together to effectively manage resource planning and quality
- Manage the business relationship through this long term agreement rather than transactions
- Share forecasts and long-range plans
- Jointly pursue cost reduction opportunities throughout the programme
- Work in accordance with General Conditions – GCP3/2003
- Work in accordance with SABRe
- Rolls-Royce Canada Limited purchasing Materials on behalf of Rolls-Royce Power Engineering Plc

DEFINITIONS & INTERPRETATION

In this agreement unless the context otherwise requires:

- | | |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| "Product" | means Gas Turbine Casings for the MT30 Programme. |
| "Materials" | means the materials set out in The Pricing Appendices and such other materials and services as may be agreed in writing between the parties from time to time. |
| "The Customer" | means the entity to which Rolls Royce may sell the Gas Turbine Casings for the MT30 Programme. |

The Appendices form part of this Agreement and shall have the same force and effect as if set out in the body of the Agreement. Any references to this Agreement shall include the Appendices.

Supplier Company Profile

KK Precision Industries Inc. is a manufacturer of precision mechanical components and assemblies. The company has been in operation over 35 years, serving Gas Turbine Engine, Aero Engine, Plastics Machinery, Chemical and other high technology industries.

Rolls-Royce Profile

It is recognised that Rolls Royce has expertise in the design, manufacture, test and installation of Marine Products including Gas Turbines, Propulsors and related systems; and requires timely, cost competitive and high quality supply of Gas Turbine Casings for the MT30 Programme.

NOW IT IS HEREBY MUTUALLY AGREED AND DECLARED AS FOLLOWS:

1 SCOPE

- 1.1 The scope of this agreement covers the Gas Turbine Casings for the MT30 Programme as set out in the Pricing Appendices of this document.
- 1.2 KK Precision should provide Rolls Royce with information, as it becomes available, regarding their ability (details of plans and results) to control and reduce costs.
- 1.3 KK Precision agrees to deliver the Gas Turbine Casings for the MT30 Programme within the lead times specified in the Pricing Appendices as required per purchase order releases and to make all efforts to meet customer required programme dates.
- 1.4 Rolls Royce agrees to purchase all of Rolls Royce's requirements for the Gas Turbine Casings for the MT30 Programme specified in the Pricing Appendices exclusively from KK Precision for the period of the programme. Formal releases to KK Precision will come in the form of purchase orders for individual requirements. Terms of the individual orders will be dictated by the purchase order and conditions.
- 1.5 KK Precision will ensure sufficient factory capacity is maintained to ensure business volume and lead times are consistently achieved. Should there be a need for third party offload, this will not take place without the permission of Rolls Royce.
- 1.6 KK Precision's price will be firm as defined in the Pricing Appendix for the period of the agreement.

- 1.7 The parties will collaborate to pursue further cost reductions. If Rolls-Royce initiates a cost reduction, the benefits will revert to Rolls-Royce. If KK Precision initiates the cost reduction, 50% of the benefit will revert to KK Precision for no more than 10 casings. The reduced price will become the new Base Price for any future contracts.
- 1.8 No Party shall without the prior written consent of the other Party create obligations or accept commitments for or on behalf of the other Party.
- 1.9 A breach of this Agreement by either party shall subject the breaching party to damages as may be proven by the injured party in arbitration or in a court of law.
- 1.10 For Goods and or Work supplied by KK Precision to Rolls Royce then KK Precision will inspect and release Goods and Work as directed on a purchase order and / or agreement.
- 1.11 For Goods and or Work supplied by KK Precision to Rolls Royce then KK Precision shall provide and maintain quality control, inspection and process control systems acceptable to Rolls Royce and in accordance with the current version of the Rolls-Royce supplier quality manual, and SABRe.
- 1.12 KK Precision will be responsible for safe custody and maintenance of all customer furnished materials, specifications, drawings and other documentation, which Rolls Royce supplies and which are necessary for the performance of a purchase order and / or schedule agreement. KK Precision will maintain sufficient insurance to cover the risk of loss of such customer furnished material.
- 1.13 KK Precision agrees that Rolls Royce shall have the right to enter their facilities at reasonable times to inspect the facility, Goods, Work, materials and property of Rolls Royce. Such inspection shall not constitute or imply acceptance of any Goods, Work or materials.

2 DISPUTES AND ARBITRATION

- 2.1 In the event that a dispute should arise between the Parties in relation to this Agreement then this will in the first instance be referred to senior management of the Parties for resolution. If such dispute cannot be settled amicably, then either Party may give not less than thirty (30) days notice in writing requesting that the matter be referred to arbitration.

3 ASSIGNMENT

- 3.1 With the written approval of Rolls-Royce, KK Precision may assign this agreement to an affiliated company or a purchaser of all or substantially all of KK Precision's assets. Other than this, no Party hereto may assign this Agreement and the rights and obligations hereunder without the prior written consent of the other Party.

4 TERMINATION

- 4.1 This Agreement shall continue in full force and effect until the first to happen of any of the following events, namely:
- 4.1.1 the expiry of a period of sixty (60) months from the date hereof; or
 - 4.1.2 If there is mutual agreement of the Parties to terminate this Agreement prior to the expiry of the term in 4.1.1 above; or
 - 4.1.3 if the Customer awards the Contract for all or part of the Materials listed in the Pricing Appendices to a third party or parties. If part of the Materials listed in the Pricing Appendices are awarded to other parties, only those Materials would be excluded from the terms of this agreement; or
 - 4.1.4 If the Customer notifies Rolls - Royce in writing that the Subcontract may not be placed with KK Precision due to quality or delivery issues; or
 - 4.1.5 if either Party shall commit a breach of any covenant or agreement on its part to be performed or observed and (if remediable) shall fail to remedy such breach within thirty (30) days of the written notification thereof by the other party hereto specifying the nature of the breach; or
 - 4.1.6 If KK Precision is not able to meet the programme dates specified in this agreement and KK Precision is unable to remedy the situation within thirty (30) days of the written notification; Rolls-Royce may be forced to find alternate sources to meet customer needs, or
 - 4.1.7 if either Party becomes insolvent, or has a receiving order made against it (which is not dismissed within 30 days), or commences to be wound up (other than for the purposes of amalgamation or reconstruction), or carries on its business under an administrator or a receiver for the benefit of its creditors. In such cases, termination will be upon expiry of a period of fourteen (14) days from receipt of a notice to terminate from the other Party.
- 4.2 In the event of termination, the parties shall jointly agree an exit programme within (30) days to ensure minimum negative impact to both parties in respect of stockholdings and work in progress.

5 CUSTOMER TERMS AND CONDITIONS

- 5.1 This agreement may be subject to additional contract specific terms and conditions if the Customer imposes any upon Rolls Royce. KK Precision agrees that such terms and conditions shall be incorporated by reference in any resultant purchase orders and schedule agreements. If any concerns arise out of contract specific terms and conditions, the parties agree to work together to negotiate and resolve these issues.

6 PAYMENT

- 6.1 All invoices shall be sent to the following address, quoting the purchase order or schedule agreement number:

Rolls-Royce plc,
Accounts Payable
PO Box 31
Derby
DE24 8BJ

- 6.2 Subject always to the other terms of this agreement, Rolls-Royce shall make payment to KK Precision within a period not exceeding sixty (60) days from the end of the AP net from receipt of a valid invoice submitted in accordance with the terms and conditions of the Contract.

7 COMMUNICATIONS

- 7.1 Each Party shall appoint an officer to act as a single point of communication within that Party's organisation with respect to this Agreement.

The relevant officers and their respective addresses for this purpose shall be:

Rolls - Royce

Dave Gharvy
Procurement Engineer
PO Box 3
Neptune House
Bristol
United Kingdom
BS34 7QE
Tel: +44 (0) 117 974 8670
Fax: +44 (0) 117 979 5632

KK Precision

.....George Koulakian
Vice President
104 Oakdale Road
Toronto, Ontario
Tel: +1 416-742-5911
Fax: +1 416-742-5166

8 CONFIDENTIALITY

- 8.1** The Parties agree to exchange drawings, operating or maintenance instructions together with any other technical information necessary to execute an Order. Title to any such information will not be affected by any such exchange.
- 8.2** Any information, disclosed by one Party to the other in connection with an Order or a proposed Order shall be treated in confidence and shall not be copied or disclosed to any third party without the prior written consent of the disclosing Party. Such information includes the form and content of this Agreement. These provisions do not apply to information that has lawfully entered the public domain.
- 8.3** The Party that has received such information in the form of drawings and/or computer readable written material or other recorded form including all copies thereof, shall return to the disclosing Party all information which has been supplied or it has acquired under this Agreement and/or any Order and to delete or have deleted all information stored in computer readable form when so requested by the disclosing Party and in any event on completion of its obligations under such Order
- 8.4** Subject to Clause 8.2 if manufacturing data and drawings relating to the subject of an Order are required for any purpose of Rolls-Royce, KK Precision will on request supply the same.
- 8.5** Subject to Clause 8.2, KK Precision shall protect all intellectual property rights, copyrights and other proprietary rights (including know-how) supplied by Rolls-Royce under this Agreement and/or any Orders which are in the possession of its sub-tier suppliers, sub-contractors and/or agents including without limitation, taking all necessary steps and actions to ensure that any such sub-tier supplier complies with all confidentiality provisions herein. KK Precision shall indemnify and hold Rolls Royce harmless in the event of any breach of such provisions by such sub-tier supplier. Furthermore, KK Precision shall notify Rolls-Royce immediately on becoming aware of a breach or a potential breach and shall inform Rolls-Royce of what actions it is taking to prevent or remedy such breach or potential breach to ensure risks to Rolls-Royce are mitigated. Rolls-Royce reserves the right to take its own action against any such sub-tier supplier and to direct KK Precision to take certain actions.

9 HEADINGS

- 9.1** The headings to the Clauses of this Agreement shall not affect the interpretation thereof.

10 ENTIRE AGREEMENT

- 10.1 This Agreement contains the entire agreement between the Parties with respect to the Gas Turbine Casings for the MT30 Programme listed in the Pricing Appendices. It shall not be modified except by an instrument in writing signed by the duly authorised representatives of the Parties. It shall only be modified in writing, and signed by the duly authorised representatives of the Parties.

11 NO AGENCY

- 11.1 Nothing in this Agreement shall create, or be deemed to create, a legal partnership or the relationship of principal and agent or employer and employee between the Parties.

12 SEVERABILITY

- 12.1 If any provision of this Agreement is held by any court or other competent authority to be void or unenforceable, in whole or in part, this Agreement shall continue to be valid as to the other provisions hereof and the remainder of the affected provision.

13 WAIVER

- 13.1 Failure of either Party hereto at any time to enforce any of the provisions of this Agreement will not constitute a waiver by that Party of any such provisions nor in any way affect the validity of this Agreement or any part thereof which shall, subject to the provision of Clause 7, continue in full force and effect.

14 LAW

- 14.1 The construction, validity and performance of this Agreement shall be governed by English law, regardless of any choice of law regulations, and shall be subject to the jurisdiction of English courts.

15 FORCE MAJEURE

- 15.1 Neither Party shall be liable to the other Party for any loss however caused by its delay or failure to meet its obligations under this Agreement where such delay or failure is due to Force Majeure. Such Force Majeure shall include, but not be limited to, any acts of nature, war, insurrection, hostilities, acts of God, acts of Government or other circumstances beyond the reasonable control of a Party hereto.

16 NON DISCLOSURE OF TECHNICAL INFORMATION

- 16.1 All information exchanged by the Parties during the execution of this agreement will be protected in accordance with the terms set out in Clause 8 of this Agreement.

17 COUNTERPARTS

- 17.1 This Agreement shall be executed in two (2) original counterparts, each of which shall be deemed an original, but both of which together will constitute a single agreement.

18 NO ANNOUNCEMENTS

- 18.1 KK Precision agrees not to make any public announcement about this agreement or its contents without the prior written approval of Rolls-Royce.

IN WITNESS WHEREOF the Parties have caused this Agreement to be signed by their duly authorised officers the day and year outlined below.

Signed by: 
for and on behalf of ROLLS-ROYCE Power Engineering Plc. (Rolls-Royce Naval)

Name: Paul Bassett
Date: 28th August 2009
Title: Procurement Executive

Signed by: 
for and on behalf of KK Precision Inc

Name: George Koulakian
Date: 28th August 2009
Title: Vice President

PRICING APPENDICES

Gas Turbine Casings for the MT30 Programme

<u>Part No.</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Lead-Time</u> <u>Wks</u>
YM13776 (TRN15267)	\$33,820 (CAD)	\$33,820 (CAD)	\$33,820 (CAD)	\$33,820 (CAD)	\$33,820 (CAD)	16
YM13777 (TRN15566)	\$39,457 (CAD)	\$39,457 (CAD)	\$39,457 (CAD)	\$39,457 (CAD)	\$39,457 (CAD)	18
YM12471	\$27,915.28 (USD)	\$27,915.28 (USD)	\$27,915.28 (USD)	\$27,915.28 (USD)	\$27,915.28 (USD)	14-16
YM12453	\$16,621.54 (USD)	\$16,621.54 (USD)	\$16,621.54 (USD)	\$16,621.54 (USD)	\$16,621.54 (USD)	14-16

All Prices will be firm in accordance with the above pricing schedule, based on ordering within lead-time, the full annual commitment. The above pricing schedule does not include raw material prices; these may be added by mutual agreement at a later date.

If during the life of this agreement RR Canada negotiates a price reduction for the IPC Casings, KK Precision agrees to modify this agreement to reflect the lower price on YM13776 and YM13777, otherwise the prices above are firm and fixed in CAD for the life of the agreement

If during the life of this agreement, KKP agrees with RR Canada to provide TRN15267 or TRN15566 casings as bought out complete (KK provides the castings, raw material etc), KKP agrees to modify this agreement under similar terms.

If RR Naval decides to purchase YM13776 and YM13777 direct from KKP, the purchase currency shall be in USD, and an exchange rate will be agreed at the time of transaction.

Prices above do not include Shipping.

Price includes for Factory Inspection, but not any subsequent FAIRS. FAIRS will be processed by KK Precision at no additional cost to Rolls-Royce.

No additional work will be paid for, without receipt of a formal Purchase Order, prior to the work being started.

SCHEDULE "F"
Rolls-Royce plc Agreement

AN AGREEMENT R-RGCP2003/1 DPC NM004

BETWEEN

ROLLS-ROYCE plc

AND

KK PRECISION Inc

FOR THE SUPPLY OF

**GAS TURBINE CASINGS
FOR THE MT30 PROGRAMME**



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This Agreement R-RGCP2003/1 DPC NM004 (the "Agreement") effective as of the 24th day of July 2009 is made between

ROLLS-ROYCE plc

of 65 Buckingham Gate, London, SW1E 6AT
("R-R")

and

KK Precision Inc

of 104 Oakdale Road, Toronto, Ontario,
Canada, M3N 1V9 (the "Vendor")

Together referred to as the "Parties".

Whereas:

R-R may place purchase orders, schedule agreements, and/or framework orders ("Orders") on the Vendor from time to time for the supply of goods and/or work and this Agreement records the terms which will govern these Orders.

"Framework Orders" shall mean an order pursuant to which R-R may instruct work to be performed by the Vendor, such work being performed solely in accordance with the process supplied by R-R.

IT IS THEREFORE AGREED:

1. Application

This Agreement which shall be deemed to incorporate any appendix which the Parties have added to it, and any terms on or referred to in an Order (together called "Procurement Terms") will be the only express terms which govern procurement of goods ("Goods") or work ("Work") specified on an Order.

Subject to Clause 10.5, 23.1, 24 and 26 below, for the avoidance of doubt electronic communications shall be deemed to be made in writing.
Any other terms which the Vendor specifies will be of no effect.

2. Orders, Quotations and Formation of Contracts

- 2.1** Orders known as "Schedule Agreements" will consist of two parts. Part one will contain but not be limited to the following; the Order number, the part number, description and price and the terms of business agreement reference. Part two of the Order will contain the schedule requirements for the part. Part two will be issued periodically by R-R. Each re-issue of a part two Order shall be considered an amendment to the Order.
- 2.2** Where the Vendor issues a quotation to R-R for the supply of Goods or Work then that quotation must be consistent with this Agreement and R-R's request for quotation. The Vendor's quotation will be open for R-R to accept for not less than sixty (60) days.
- 2.3** When the Vendor receives an Order from R-R placed in accordance with the Vendor's quotation a contract ("Contract") will be created. For the avoidance of doubt in the case of Orders made electronically such receipt will be deemed complete at the time the Vendor's authorised user indicates receipt in accordance with the procedure as outlined in R-R's E-Procurement Web Site User Guide as may be amended from time to time.
- 2.4** If the Vendor receives an Order without having issued a quotation then the Vendor may accept the Order by signing and returning the Order acknowledgement slip no more than fourteen (14) days from receipt of the Order. If the Vendor does this it will create a Contract subject to this Agreement. For the avoidance of doubt in the case of Orders made electronically such acceptance will be deemed complete at the time the Vendor's authorised user indicates acceptance in accordance with the procedure as outlined in R-R's E-Procurement Web Site User Guide as may be amended from time to time.
- 2.5** Where Orders have been made electronically in accordance with Clause 2.2 or 2.3 above the Vendor shall be responsible for ensuring that such Orders are reviewed and acknowledged without unreasonable delay.
- 2.6** R-R accepts no liability for orders for Goods or Work that are not placed on an official Order in accordance with this Clause 2.

3. Delivery and Passing of Title

- 3.1 All risk of loss or damage to Goods shall pass to R-R upon delivery as instructed on the Order in accordance with the Incoterms provided on the Order, and if no Incoterms are provided on the Order, FCA, Supplier's facility (Incoterms 2000).

4. Conformity with Order

- 4.1 Goods and Work will be supplied strictly in accordance with the Procurement Terms.
- 4.2 If R-R accepts Goods or Work which do not conform to Procurement Terms this will not relieve the Vendor of its obligations to correct any such non-conformance.
- 4.3 Notwithstanding that R-R may need to instruct changes to the purchase schedule within lead time, or the Vendor may experience delay excusable under this Agreement, recognising that time is of the essence, the Vendor shall take all necessary actions, both normal and extraordinary to ensure timely deliveries.

5. Excusable Delays

The Parties agree that timely performance under an Order shall be a primary obligation of the Vendor, hence the Vendor will only be excused delay in delivery or performance if it can show to R-R's reasonable satisfaction that such delay has been caused by circumstances outside its reasonable control and if it has notified R-R in writing within five (5) days on becoming aware of such circumstances. No Order will terminate as a result of such delay except that R-R may at its discretion terminate an Order in whole or in part where the Vendor is so excused without incurring liability if such delay becomes substantial. The Vendor shall make all reasonable endeavours to mitigate the effects of such delay.

For the avoidance of doubt, strikes, lockouts or other industrial action or disputes specific to the Vendor and/or its subcontractors or agents shall not constitute an excusable delay.

In any event the Vendor shall notify R-R in writing on becoming aware of any circumstances which may cause any failure to comply with the terms of Clause 4.1.

6. Price and Payment

- 6.1 The price stated on an Order for any Goods or Work shall be a fixed price inclusive of all duties, levies and taxes in the country of origin of the Goods or Work, excluding value added tax.
- 6.2 Where the Contract requires the Vendor to submit an invoice, the Vendor shall post invoices to R-R's Purchase Accounts Department at the address on the Order on the day on which Goods are despatched or Work is completed.
- 6.3 R-R shall post payment to the Vendor on the last working day of the second month following the month in which the relevant Goods have been delivered or Work completed, provided that the Vendor has supplied such Goods or Work in accordance with the Contract and where the Vendor is required to submit an invoice, such invoice is accurate and was received by R-R's Purchase Accounts Department within seven (7) days of despatch of Goods or completion of Work.
- 6.4 If R-R does not post payment in accordance with Clause 6.3 above, the Vendor will be entitled to recover a sum from R-R equal to the interest which it pays or loses as the case may be in consequence of such late payment upon provision of evidence of such payment/loss. The amount so recoverable shall not in any event exceed a sum equivalent to interest at 3.0% above the Bank of England's Base Rate on the overdue payment for the period between the dates on which the payment was due and made. For these purposes, the Bank of England's base rate shall be that applicable at the date on which the overdue payment was due. The Parties acknowledge and agree that such payments are sufficient to compensate the Vendor for any such late payment.
- 6.5 The Vendor and R-R shall jointly pursue cost reduction opportunities for the duration of this Agreement and will reflect the achievements of such opportunities in price reductions to R-R.

- 6.6 The Parties shall exchange any information necessary to understand and analyse the Vendor's costs for supplying the Goods and Work.

7. Monitors

On request, the Vendor shall provide information showing the current status of all batches of Goods or Work in comparison to the planned status.

8. R-R Property

- 8.1 Any items held by the Vendor which R-R has paid for in full or which R-R may have loaned, bailed, consigned or supplied to the Vendor for the execution of an Order will be at the Vendor's risk until acceptance of the Certificate of Conformity by R-R.

- 8.2 The Vendor shall retain such items in good condition during performance and after completion of an Order and shall not dispose of such items except in accordance with R-R's written instructions nor shall such items be used other than for the purpose of such Order without R-R's prior written consent.

- 8.3 The Vendor shall ensure that such items are at all times identified as "the property of Rolls-Royce plc" and do not become the subject of any encumbrance.

9. Warranty

- 9.1 The Vendor warrants to R-R that all Goods or Work delivered hereunder will conform to the Procurement Terms and will be free from defects in material, workmanship and, where the Vendor has responsibility for design, free from defects in design.
- 9.2 If Goods or Work do not conform with any Procurement Term or are not free from defects, without prejudice to R-R's other rights and remedies the Vendor shall promptly, at the Vendor's own expense, either repair or replace such Goods or rectify any such non-conformity or defects. If the Vendor fails to promptly repair or replace any Goods or Work which do not

so conform or which are not so free of defects (hereinafter called "Non-conforming Item"), without prejudice to its other rights and remedies. R-R may (i) choose to keep the Non-conforming Item and R-R shall be entitled to adjust the Order price of such item in a manner that is reasonable under the circumstances or (ii) rectify or arrange to have rectified such Non-Conforming Item and the Vendor shall reimburse R-R for all costs relating to such rectification and for all damages R-R sustains due to the Non-Conforming Item.

9.3 Without prejudice to the generality of Clause 9.1 and/or 9.2 above:

9.3.1 If delivery of the Goods and/ or Work is delayed in respect of the delivery date specified in a Contract, other than for reasons set out in Clause 5 above, the Vendor shall pay R-R liquidated damages to compensate R-R for its internal costs only at the rate of 2.5% (two and a half percent) of the value of the Goods or Work supplied for each complete week of delay up to a maximum of 10% (ten percent) of such value.

9.3.2 for every Vendor liable occurrence of the following incidents the Vendor shall pay R-R liquidated damages in the stated amounts for the purpose of compensating R-R's internal administration efforts only associated with such incident.

Incident	Liquidated Damages
Where R-R rejects a delivery of Goods upon inspection by R-R and before use by R-R	\$560.00
Where R-R gives written authorisation to use or release a Material that does not conform to the specified requirements (Concession)	\$560.00
Where R-R rejects Goods due to non-conformance found during R-R's assembly process	\$720.00
Where R-R rejects Goods due to receipt of a customer complaint and/or a customer rejects Goods	\$880.00
Where R-R raises a "Major Non-Compliance Report" due to a deficiency found during R-R's audit of the Vendors quality management system	\$800.00

The Parties agree that such liquidated damages represent a reasonable pre-

estimate of the internal costs that R-R is likely to suffer as a result of such delay and/or incident.

10. Termination

10.1 Without prejudice to any of R-R's rights and remedies, R-R may terminate an Order in whole or in part by giving the Vendor notice in writing, identified as a notice of termination, whereupon all work on that Order shall cease.

R-R shall pay the Vendor, in full and final satisfaction of all claims arising out of such termination:

10.1.1 the price of all Goods and Work which the Vendor has justifiably produced and completed in accordance with such terminated Order or part thereof and which R-R has not paid for,

10.1.2 the cost of settling any claims for necessary termination of sub-contracts justifiably committed in respect of such terminated Order or part thereof provided the Vendor has included in such sub-contracts a termination for convenience clause in substantially the same terms as this Clause 10.1, and

10.1.3 the cost to the Vendor of any justified work-in-progress in respect of such Order or part thereof.

The Vendor shall give R-R every assistance to ascertain the extent of such work-in-progress. The amount payable to the Vendor under this Clause 10.1 will not exceed the total amount that would have been payable to the Vendor for the Goods or Work. In the event of termination the Vendor shall submit notice of its claim within 2 months of termination. Any finished Goods and/or Work and any Work in progress paid for by R-R under this Clause 10.1 will be delivered to R-R or held by the Vendor as R-R property in accordance with Clause 8 above.

10.2 If R-R's termination in accordance with Clause 10.1 above is the result of R-R's customer terminating its contract with R-R then payment to the Vendor in full and final satisfaction of any such termination shall be the proportion of the contract value equal to the proportion R-R receives from

its customer if any.

- 10.3 If R-R has reasonable grounds for believing the Vendor will be unable to substantially fulfill its obligations, R-R may require the Vendor to provide reasonable written evidence that the Vendor will fulfill its obligations. If the Vendor fails to provide such evidence within 14 days of R-R's request R-R may treat that failure as a material breach and terminate the relevant Order.
- 10.4 R-R shall have the right, without prejudice to its other rights and remedies, to terminate any Order without incurring any liability, if the Vendor: -
- 10.4.1 makes a general arrangement with its creditors; or,
 - 10.4.2 ceases or threatens to cease to carry on its business or a substantial part of it or is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 or any statutory modification or re-enactment thereof; or,
 - 10.4.3 enters into liquidation whether compulsory or voluntary, except as a solvent company for the purposes of amalgamation or reconstruction; or,
 - 10.4.4 has an administrator or administrative receiver of the whole or part of its assets appointed; or
 - 10.4.5 commits any material breach of any of its obligations under this Agreement or the Order which it fails to rectify within 14 days of written notice of that breach (no notice period shall apply for a breach of delivery terms); or
 - 10.4.6 (not being a company registered in England) carries out or becomes subject to actions or proceedings which, within the jurisdiction to which it is subject, are similar in nature or effect to those specified in Clause 10.4.1 and 10.4.2 above.

10.5 R-R shall effect termination under this Clause 10 by issuing notice of termination in writing to the Vendor. Such notice will be effective 24 hours after it is issued

10.6 This Agreement shall remain in force for the later of: a period of fifteen (15) years from the effective date, or discharge by the Vendor of all obligations under this Agreement and any Order hereunder.

11. Supply of Assistance, Suggestions and/or Opinions

R-R's personnel may from time to time render assistance and/or give suggestions and/or opinions to, or effect an exchange of, information with the Vendor's personnel concerning the Goods or Work to be furnished under an Order ("Assistance"). However such Assistance shall not grant the Vendor authority to change the relevant Goods or Work or any provisions of an Order or this Agreement, nor shall such Assistance constitute a change binding upon R-R unless issued as an amendment in accordance with this Agreement and the Vendor shall be responsible for the use of any such Assistance. In all cases, and as acknowledged by the Vendor, R-R is relying upon the Vendor's knowledge and expertise in performing all work regarding the Goods or Work to be furnished under an Order.

12. Supply of Personnel

Any personnel which the Vendor provides to carry out the Work will at all times continue to be employed by the Vendor. The Vendor shall ensure that any such personnel will, whilst on R-R's premises, comply with R-R's "General Conditions of Work on Site", copies of which are available on request.

13. Development Work

13.1 If any Work or manufacture of Goods involves research or development that is funded by R-R then all intellectual property rights in the results thereof will vest in R-R.

13.2 All designs, drawings, processes and developments by R-R and all intellectual property rights, copyrights and other proprietary rights (including know-how) supplied by R-R under this Agreement and/or any

Order shall remain the sole and undivided property of R-R.

13.3 The designs, drawings, processes and developments by the Vendor and all intellectual property rights, copyrights and other proprietary rights (including know-how) arising in connection with the Vendor's performance under this Agreement or an Order are generated by the Vendor in the sole and undivided interest of R-R and are fully compensated by the price paid for Goods and Work under any Order and all intellectual property rights in the results thereof will vest in R-R.

13.4 The Vendor shall use such intellectual property only for the purposes of performing its obligations under this Agreement and/or any Order.

13.5 The Vendor shall and shall require its employees to sign all papers and do such acts as are reasonably necessary for R-R to pursue formal protection of any anticipated intellectual property rights.

14. Proprietary Rights Liability

If any allegation is made or any claim asserted against R-R, or any person claiming title from or through R-R, that any act done or proposed to be done in relation either to Goods or to any article or material on which Work has been carried out constitutes a violation or infringement of any patent, copyright, registered design or other proprietary right held by a third party, the Vendor shall indemnify R-R against and save R-R harmless from any loss or damage (including without limitation all costs and expenses) arising directly or indirectly out of such allegation or claim unless the allegation or claim is the direct result of the Vendor following a design or process originated and furnished by R-R.

15. Proprietary Information

15.1 The Parties agree to exchange drawings, operating or maintenance instructions together with any other technical information in whatever form necessary to execute an Order. Title to any such information will not be affected by any such exchange.

15.2 Subject to Clause 11 any information, including but not limited to that covered by Clause 15.1 above, disclosed by one Party to the other in

connection with an Order or a proposed Order shall be treated in confidence and shall not be copied or disclosed to any third party. Disclosure of Information shall be strictly limited to those employees of the Party receiving such information to whom disclosure is necessary, or as may be expressly authorised in writing by the disclosing Party. Such information includes this Agreement and its form and content. These provisions do not apply to Information which has lawfully entered the public domain.

15.2.1 The Party that has received such information in the form of drawings and/or computer readable written material or other recorded form including all copies thereof, shall return to the disclosing Party all information which has been supplied or it has acquired under this Agreement and/or any Order and to delete or have deleted all information stored in computer readable form when so requested by the disclosing Party and in any event on completion of its obligations under such Order.

15.3 Subject to Clause 15.2, if manufacturing data, drawings and any other technical information relating to the subject of an Order are required for any purpose of R-R the Vendor will on request supply the same.

15.4 Subject to Clause 15.2, the Vendor shall protect all intellectual property rights, copyrights and other proprietary rights (including know-how) supplied by R-R under this Agreement and/or any Order which are in the possession of its sub-tier suppliers, sub-contractors and/or agents including without limitation, taking all necessary steps and actions to ensure that any such sub-tier supplier complies with all confidentiality provisions herein. The Vendor shall indemnify and hold R-R harmless in the event of any breach of such provisions by such sub-tier supplier. Furthermore, the Vendor shall notify R-R immediately on becoming aware of a breach or a potential breach and shall inform R-R of what actions it is taking to prevent or remedy such breach or potential breach to ensure risks to R-R are mitigated. R-R reserves the right to take its own action against any such sub-tier supplier and to direct the Vendor to take certain actions.

16. Quality Control Requirements

- 16.1 The Vendor shall inspect and release Goods and Work as directed on an Order.
- 16.2 Notwithstanding Clause 16.1 the Vendor shall be responsible for safe custody and maintenance of all specifications, drawings and other documentation which R-R supplies and which are necessary for the performance of an Order.
- 16.3 The Vendor agrees that R-R shall have the right to enter the Vendor's facilities at reasonable times to inspect the facility, Goods, Work, tooling, materials and property of R-R. Such inspection shall not constitute or imply acceptance of any Goods, Work or materials.

17. R-R Customer Contract Conditions

- 17.1 In order to meet the requirement of the customer, R-R may be required to accept and agree, in its contract with that customer for the sale of engines or parts thereof embodying Goods or the product of Work, sale terms which are not reasonably reflected by the terms of this Agreement ("Sale Terms"). In such event, the Vendor shall negotiate with R-R with the object of accepting an amendment to the terms of this Agreement corresponding to such Sale Terms, in respect of Orders for Goods or Work related to that customer.
- 17.2 Without prejudice to Clause 17.1, if R-R is required to flow down to its Vendors any appropriate regulations or requirements of a Government, the Vendor agrees to accept the inclusion of such regulations or requirements in the relevant Order.

18. Offset/ Countertrade

R-R may be obliged to make offset and/or Countertrade arrangements in a particular country with a particular customer under a contract for the sale of R-R products which incorporate Goods or Work. If R-R so requests, the Vendor shall negotiate with R-R with the object of the Vendor fulfilling a proportion of the total offset obligation equal to the proportion of the price paid by the customer for the products which the Vendor's Goods or Work represent.

19. Exclusion of Agency and Licence

19.1 The Vendor will not do anything that might result in other parties believing that it has authority either to contract on behalf of R-R or is a licensee of R-R.

19.2 In particular and without prejudice to the generality of Clause 19.1 above, the Vendor shall not, without the prior written permission of R-R, manufacture or supply to third parties any Goods or parts of a similar nature to those of R-R's, utilising technical information supplied or derived from R-R. This Agreement shall not include any express or implied licence whatsoever.

20. Publicity

The Vendor shall not refer to R-R's name, the company's trademarks or products in connection with any publicity without the prior written permission of the Commercial Services department at R-R.

21. Waiver

Failure by R-R at any time to enforce any term of this Agreement or any Order Term shall not be construed as waiver by R-R of such term or Order Term.

22. Conflict

If there is a conflict of terms the order of precedence shall be: -

- 1 any Government terms associated with a Contract
- 2 the applicable Appendix hereto
- 3 any other Appendix hereto
- 4 this Agreement (excluding appendices)
- 5 terms appearing on the front of an Order other than Government terms

23. Assignment and Third Party Rights

23.1 The Vendor shall not assign or transfer any of its rights and obligations

under this Agreement or any Contract. Any such purported assignment shall be null and void unless agreed in writing between the Parties.

- 23.2 This Agreement excludes the provisions of the Contracts (Rights of Third Parties) Act 1999. Nothing in this Agreement shall be construed as creating any rights in respect of any third parties (including without limitation any employee, officer, representative or sub-contractor of any Party) under, as a result of, or in connection with this Agreement.

24. Notices

Any notices or other documents to be served under this Agreement or any Order shall be in writing and addressed to the party to be served at its address given in this Agreement or any other address as may be notified. Such notices may be delivered by hand or sent by fax or recorded delivery post.

25. Governing Law

This Agreement and Orders shall be subject to and interpreted in accordance with the Laws of England.

26. Amendment

This Agreement shall not be amended other than by an agreement in writing which is expressly stated to amend this Agreement.

27. English Language

All communications in respect of Orders shall be in English.

28. Headings

The Index and Clause headings used in this Agreement are for convenience only and will not affect the meaning or construction of this Agreement.

29. Survival

- 29.1 After termination of this Agreement its terms shall continue to apply to any Contract created before such termination.

29.2 The provisions of Clauses 8, 11, 14, 15, 20, 25 and this Clause 29 shall survive any termination of this Agreement.

30. Severability

If any provision of this agreement is declared by any judicial or other competent authority to be void, voidable, illegal or otherwise unenforceable, or indications to that effect are received by either of the Parties from any competent authority, the Parties shall amend that provision in such reasonable manner as achieves the intention of the Parties without illegality.

31. Exclusion of other Provisions and Previous Understandings

The Parties agree that they have not placed any reliance whatsoever on any representations, agreements, statements or understandings made prior to the signature of this Agreement whether orally or in writing relating to the subject of this Agreement other than those expressly incorporated in this Agreement, which have been agreed on the basis that its provisions represent their entire agreement and shall supersede all such prior representations, agreements, statements and understandings.

32. Vendors Ownership

32.1 If during the lifetime of this Agreement, any third party who is a Competitor acquires or is in due diligence to acquire a controlling interest in the Vendor or any subsidiary or division of it performing a material part of the Work under this Agreement then the Vendor shall immediately notify R-R of such event subject to regulatory or statutory obligations and the identity of such likely acquirer subject to its approval.

32.2 If the third party directly or indirectly acquiring a controlling interest in the Vendor is a Competitor then R-R shall without prejudice to any other rights and remedies it may have and without incurring any liability whatsoever to the Vendor be entitled to immediately by written notice terminate this Agreement and/or any Order (in whole or part).

32.3 In this Clause 32 "Competitor" includes the parent, subsidiary or a jointly

owned company in competition with R-R in respect of the design, development, manufacture, repair or sale of aero-engines or any other company within the same group as such Competitor and "controlling interest" means any interest sufficient to give the power to secure by law or corporate action the ability to direct and conduct the business of the Vendor.

33. Data Protection Act

The Vendor undertakes that, in relation to this Agreement or any Contract, it shall, in respect of all Personal Data provided to it by R-R, comply strictly with all requirements of the Data Protection Act 1998 as if it were the Data Controller of such personal data. The phrases "Personal Data" and "Data Controller" shall bear the meanings attributed to them in the Data Protection Act 1998.

The Vendor shall indemnify R-R against all losses, costs, expenses, damages, liabilities, demands, claims, actions or proceedings which R-R may incur arising out of any breach of this Clause 33.

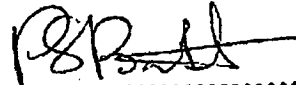
SIGNED

for and on behalf of **ROLLS-ROYCE plc**

.....
(Signature)

.....
(Brian Semle)


.....
(Director Supply Chain)


.....
(Signature)

P.S. BASSETT.
.....
(Paul Bassett)

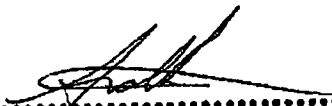
2nd September 2009.
.....
(Procurement Executive)

for and on behalf of **KK PRECISION Inc**


.....
(Signature)

.....
(George Koulakian)

.....
(Vice President)


.....
(Signature)

.....
(Andrew Lee)

.....
(Chief Financial Officer)

SCHEDULE "G"
Tyson Tool Agreement

**CUTTING TOOL
INTEGRATION PROPOSAL
PRECINDA LTD.
&
TYSON TOOL COMPANY LIMITED**

August 14th 2007

OBJECTIVES OF PROPOSAL

1. **Reduction of overall tooling and process related costs of 20% - 25% by means of process and tooling improvements**
2. **Target process and improvements and systematically document cost savings**
3. **Accurately and quantifiably report job and machine time savings**
4. **Develop an ongoing Technical Support System through training and applications**
5. **Establish a transparent and mutually beneficial business relationship between Precinda Ltd. and Tyson Tool Company Limited**
6. **Ensure best technical tools available are supplied to Precinda Ltd. regardless of manufacturer. (Subject to purchase restrictions)**

A. Key Functions

Tyson Tool Company Limited plan for Precinda Ltd. involves coordination of several functions in pursuit of generating cost savings.

- 1. Compile a team to provide technical support and administration**
 - 2. Collect relative data on tooling and processes**
 - 3. Benchmark current performance levels of tooling**
 - 4. Convert, consolidate and standardize where possible**
 - 5. Continuous Improvement activities**
 - 6. Document and Report cost savings**
-
- 1. Tyson Tool Company Limited will assemble a team to support and service Precinda Ltd. consisting of the assigned account Technical Sales Representative, along with three product specialists to provide technical support and technical training, and a dedicated Customer Service Representative for sales/administration and inventory support.**
 - 2. With the assistance of the designated Precinda Ltd. liaison collect data for specific current tooling and processes in place from a prioritized list of identified areas of improvement as decided by Precinda Ltd. Management team for optimization.**
 - 3. After specific areas for improvement have been identified, benchmark performance of current tooling and processes for comparison of optimized tooling and process for true cost savings reports.**
 - 4. With the intention to help Precinda Ltd. realize their cost saving goals where possible convert tooling to Tyson Tool Company Limited preferred brands. Consolidate and standardize without jeopardizing part quality and process security, and only after approval of Precinda Ltd. Management.**
 - 5. Strive to bring the latest technology available in tooling to provide continuous improvement to process and optimization**
 - 6. Document quantifiable cost savings for process and tooling improvements and report to Precinda Ltd. Management via monthly meetings. This will also provide a platform for discussion of future area's to be considered for improvement.**
 - 7. All standard "Tyson" brand products brought in for testing will be returnable (at no cost) if they do not meet prior agreed upon performance levels and testing is supervised by an on-sight Tyson employee. For products brought in from "Integrator" suppliers such as Sandvik, Iscar or Kennametal this "Right of Return" is subject to the Integrators return policy. We will make every attempt to have one of their technical people present at this testing to ensure effective performance or tool returnability.**

B. Overview of Cost Savings

It will be the intention that all tooling and process improvements will lead to cost savings being generated for Precinda Ltd. Cost savings can be realized in a number of ways:-

- a) Consumable tooling cost reduction by means of alternate product to that currently used being of equal or better in performance and/or priced at a more competitive rate.
- b) Cycle time reductions by utilizing, "best practice" machining methods, through optimized cutting parameters, tool selection and process improvements.
- c) Inventory rationalization and minimized procurement costs particularly when a tool dispensing machine is utilized as regularly used product will be consigned in the tool dispensing machine at Tyson Tool Company Limited cost and invoiced on a monthly basis.
- d) Amount of orders/invoices generated on a monthly basis will be minimized.
- e) Usage reports to give accurate costing of tools for particular jobs, again part of benefit when tool dispensing machine is utilized.

Tyson Tool Company Limited will pursue relentlessly opportunities for improvement to generate cost savings for Precinda Ltd.

C. Communication

It is imperative that both parties have open dialogue with honesty and integrity in this business partnership. Monthly meetings will be carried out to discuss area's for improvement and progress of the partnership in generating improvements/cost savings. These regular meetings will also serve as an opportunity to highlight concerns/issues by either party.

D. Implementation Plan

First 3 months of agreement

- a) Immediately after acceptance of this agreement Precinda Ltd. to provide Tyson Tool Company Limited with a letter indicating a business partnership for Tyson Tool Company Limited to be the sole supplier of all cutting tools to be used by Precinda Ltd. This will be necessary for Tyson Tool Company Limited to negotiate with incumbent vendors and procure tooling.
- b) Identify areas for conversion and rationalization.
- c) Identify areas for process and tooling improvements
- d) Establish guidelines and content for training programs
- e) Agreement to be finalized at the end of three months (Dec. 1st 2007)

Months 3 – 12

- a) Through documented testing implement process and tooling improvements.
- b) Implement tool management systems by way of tool boss and inventory control.
- c) Start training program for Precinda Ltd. personnel.
- d) Document selected quantifiable cost savings.

12 month anniversary of agreement

- a) Review meeting of partnership.

In the event that either party is not satisfied, this agreement may be terminated with three (3) months notice subject to the following conditions.

Precinda Ltd. must purchase the ToolBoss unit at their location (based on Kennametal list price of 2007) as well as all authorized inventory (by Precinda Ltd in the ToolBoss and/or consignment agreement) held in stock in the ToolBoss unit and all authorized (by Precinda Ltd) backup inventories held at the Tyson warehouse. (Precinda/Tyson will establish a "Stock Standard" program of tools which Tyson will inventory at an agreed on consumption level, initially set at a one (1) month usage quantity)

E. Pricing

Tyson Tool Company Limited will do everything possible to maintain current third party pricing after negotiations have been done with incumbent vendors. If this is not possible an agreement between Precinda Ltd. and Tyson Tool Company Limited will be met on a pricing level.

Tyson Tool Company Limited will offer Precinda Ltd. the following pricing structure

WIDIA

Inserts	List price less 25%
Tooling	List Price less 25%

MENLO

Carbide E/Mills	List price less 40%
Drills/Burrs etc.	List Price less 35%

TYSON BRANDED PRODUCTS

Lathe Tools	List Price less 25%
Milling Cutters	List Price less 25%

D'ANDREA PRODUCTS

Modular	List Price less 25%
Mono'D N/C	List Price less 35%

For the first 6 months after agreement implementation Tyson Tool Company Limited will grant special pricing to Precinda Ltd. for capital purchases, (not in vending machine):- These items must be on separate orders/invoices and be of an agreed upon minimum value. (Also applies to payment terms of capital purchases).

WIDIA

Tooling	List Price less 35%
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TYSON BRANDED PRODUCTS

Lathe Tools	List Price less 35%
Milling Cutters	List Price less 40%

D'ANDREA PRODUCTS

Modular	List Price less 35%
Mono'D N/C	List Price less 40%

Pricing for items in the tool dispensing machine will be set and held for as long as possible. Any adjustments that may be necessary due to supplier pricing adjustments will be discussed and not implemented until approved by Precinda Ltd. Management.

F. Payment Terms

The following payment terms will apply over the course of this agreement:-

- a) Consigned inventory product in vending machine will have one invoice on the 1st business day of the month following the proceeding month's purchases, payable the last day of the following month. (ie; Aug. 1st invoice paid by Sept. 30th)
- b) Non consigned inventory will be invoiced as shipped and is payable net 60 days from invoice date. (ie: Invoices from Aug. 1st to 15th paid by Oct. 15th / Aug. 16th to 31st paid by Oct. 31st)
- c) Special terms will apply to capital purchases, (first 6 months) and will be invoiced as shipped but payable net 90 days from invoice date.

G. Inventory

- a) After 3 months and implementation of a tool dispensing machine regularly used consumable items will be consigned at Precinda Ltd. in a ToolBoss vending machine, (see section H). (Tyson will verify that WinTool program can be integrated with the ToolBoss software) WinTool presentation arranged for Aug. 23rd 2007
- b) Tyson Tool Company Limited agree to carry ample inventory for tooling once identified in their warehouse to support the needs of Precinda Ltd.
- c) Precinda Ltd. agrees any inventory authorized by Precinda Ltd (in the ToolBoss and/or consignment agreement) located in their facility is their responsibility.
- d) Required inventory changes can be done as needed subject to Precinda Ltd. consuming all back up inventory.
- e) We will maintain back up inventory authorized by Precinda Ltd (Precinda/Tyson will establish a "Stock Standard" program of tools which Tyson will inventory at an agreed on consumption level, initially set at a one (1) month usage quantity) of all

standard, special and third party procured tooling subject to Precinda Ltd. accepting responsibility to consume this inventory.

- f) Work to assist Precinda Ltd. in reducing their current cutting tool inventory

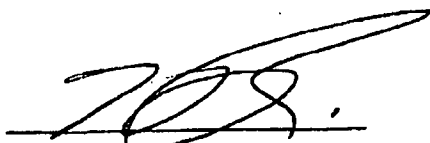
H. ToolBoss vending machine

- a) Once a minimum of 3 months have lapsed with the initial agreement it is intended to employ the use of a ToolBoss vending machine for common and regularly used consumable tooling after conversion, rationalization and standardization have been carried out. The unit will be ordered after the 3 month period only if a minimum 3 year commitment is made for the business partnership.
- b) The inventory in the ToolBoss will be consigned and are subject to the various terms and conditions laid out in other sections of this document.
- c) To safeguard Tyson Tool Company Limited against financial loss due to damage or any other peril of the ToolBoss unit Precinda Ltd. agree to amend their insurance policy to provide coverage for the value of the ToolBoss and its contents and provide Tyson Tool Company Limited with a copy of amended policy/rider.
- d) Any discrepancies in stock levels, unless otherwise proven will be the responsibility of Precinda Ltd.
- e) Cost of ToolBoss will be based on Tyson product usage. If Precinda Ltd. purchases \$25,000.00 per month of actual Tyson product there will be no charge for the ToolBoss unit. (Not including Integrator product). Amount based on a 3 month average. The first 6 months usage not based on any dollar purchase. If the monthly average is not attained a minimal charge will be processed subject to percentage of purchases achieved.

I. Training

A training program will be established for Precinda Ltd. personnel. Training will take place on site at Precinda Ltd. in the form of PowerPoint presentations and hands on training at the machine. In certain cases it may be necessary for Precinda Ltd. personnel to be present for training at Tyson Tool Company Limited.

This proposal and all conditions laid out in this document will come into effect August 20th 2007, being agreed upon by both parties by their respective signatures:



Horst von Richter
President
Tyson Tool Company Limited



Garth Wheldon
President
Precinda Ltd.

cc: Kathy Litzenberger Operations Manager Tyson Tool Company Limited
Richard West Sales Manager Tyson Tool Company Limited

GENERAL SECURITY AND PLEDGE AGREEMENT

THIS AGREEMENT executed as of the 1st day of September, 2011

BY:

KK PRECISION INC.

a corporation resulting from the amalgamation of KKP Acquisition Corp.,
Precinda Inc. and KK Precision Inc.

(the "Borrower")

IN FAVOUR OF:

BMO CAPITAL CORPORATION

a Canadian chartered bank

(the "Bank")

THIS AGREEMENT WITNESSES that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Borrower, the Borrower hereby agrees as follows:

Definitions and Interpretation

1. In this agreement, all capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in the Credit Agreement, and the following words shall, unless otherwise provided, have the meanings set out below:

"**Collateral**" means all present and future property, assets and undertaking of the Borrower pledged, assigned, mortgaged, charged, hypothecated or made subject to a security interest pursuant to this agreement;

"**Contractual Right**" means any agreement, right, franchise, licence, authorization, approval, equipment lease or sublease, privilege or permit (a) to which the Borrower is now or hereafter becomes a party, (b) in which the Borrower now or hereafter has any interest or (c) of which the Borrower is or hereafter becomes a beneficiary;

"**Control**" shall have the meaning ascribed to it in the STA;

"**Credit Agreement**" means the credit agreement dated as of the date hereof between the Borrower, as borrower and the Bank, as lender, as such agreement may be amended, supplemented, otherwise modified, restated or replaced from time to time;

"Intellectual Property" means trademarks, trademark rights, service marks, service mark rights, business names, business name rights, trade styles, other business identifiers, trade names, trade name rights, copyrights, patents, patent rights, trade secrets, industrial designs, technology, inventions, know how, internet domain names, licenses, franchises, permits and other intellectual property, including any applications and registrations pertaining thereto and with respect to trademarks, service marks and trade names, the goodwill of the business symbolized thereby and connected with the use thereof;

"Investment Assets" means all present and future Investment Property (as such term is defined in the PPSA) and Financial Assets (as such term is defined in the STA) of the Borrower, including all present and future options and warrants of the Borrower and all other rights and entitlements arising therefrom or related thereto, and the Borrower's present and future interests in partnerships, limited partnerships, limited liability partnerships and limited liability companies, all substitutions for any of the foregoing and all dividends and income derived therefrom or payable in connection therewith;

"Issuer" means an issuer as defined in the STA;

"Money" means a medium of exchange authorized or adopted by the Parliament of Canada as part of the currency of Canada or by a foreign government as part of its currency;

"PPSA" means the *Personal Property Security Act* (Ontario), as amended from time to time and any legislation substituted therefor and any amendments thereto;

"Proceeds" means identifiable or traceable personal or real property in any form derived directly or indirectly from any dealing with any of the Collateral or the proceeds therefrom;

"Receiver" means a receiver, receiver-manager and receiver and manager;

"Security Interest" means the pledges, assignments, mortgages, charges and hypothecations of, and the security interests in, the Collateral created in favour of the Bank hereunder; and

"STA" means the *Securities Transfer Act, 2006* (Ontario), as amended from time to time and any legislation substituted therefor and any amendments thereto.

2. References such as "this agreement", "hereof", "herein", "hereto" and like references refer to this agreement and any schedules, exhibits or appendices attached hereto (all of which schedules, exhibits and appendices form a part of this agreement) and not to any particular section, subsection, paragraph or other subdivision of this agreement.
3. The division of this agreement into sections, subsections and paragraphs and the insertion of headings in this agreement are for convenience of reference only and shall not affect the construction or interpretation of this agreement.
4. Terms used herein which are defined in the PPSA or the STA, as applicable, shall have the same meanings herein as are ascribed to such terms in the PPSA or the STA, as applicable, unless such terms are otherwise defined.

5. The word "Borrower", the personal pronoun "it" or "its" and any verb relating thereto and used therewith shall be read and construed as required by and in accordance with the context in which such words are used. The term "successors" shall include, without limiting its meaning, any corporation resulting from the amalgamation of a corporation with another corporation. Where the context so requires, words used herein (including defined terms) importing the singular shall include the plural and vice versa and words used herein (including defined terms) importing gender shall include all genders (including the neuter).
6. Nothing herein (including the definition and use of the term Permitted Liens) is intended or shall be deemed to subordinate the Security Interest to any Permitted Lien or any other Lien affecting all or any portion of the Collateral.
7. If one or more of the provisions contained herein shall be invalid, illegal or unenforceable in any respect, such provision or provisions shall be severed from this agreement only to the extent necessary, and the validity, legality and enforceability of the remaining provisions hereof, including the provision or provisions remaining after such severance, shall not in any way be affected or impaired thereby.
8. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
9. Unless otherwise expressly provided in this agreement, if any matter in this agreement is subject to the determination, consent or approval of the Bank or is to be acceptable to the Bank, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Bank, which means the Bank shall have sole and unfettered discretion, without any obligation to act reasonably. If any provision in this agreement refers to any action taken or to be taken by the Borrower, or which the Borrower is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term "including" shall mean "including, without limitation" and the use of the term "includes" shall mean "includes, without limitation".
10. This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower hereby irrevocably and unconditionally attorns and submits to the non-exclusive jurisdiction of the courts of the Province of Ontario, provided that nothing herein shall prevent the Bank from proceeding at its election against the Borrower in the courts of any other province, country or jurisdiction.

Grant of Security Interest

11. As continuing security for the payment and performance of the Obligations, the Borrower hereby pledges, assigns, mortgages, charges and hypothecates to the Bank and grants to the Bank a security interest in the following:
 - (a) all present and future equipment of the Borrower, including all of its present and future machinery, fixtures, plant, tools, furniture, books, records, documents, vehicles of any nature, kind or description, and all accessions to any of the foregoing, including all spare

parts and accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating to the foregoing;

- (b) all present and future inventory of the Borrower, including all of its present and future raw materials, materials used or consumed in its business, work-in-progress, finished goods, goods used for packing and goods acquired or held for sale or lease or that have been leased or furnished or that are to be furnished under contracts of rental or service, and all accessions to any of the foregoing, including all spare parts and accessories installed in or affixed or attached to any of the foregoing;
- (c) all present and future intangibles of the Borrower, including all of its present and future accounts and other amounts receivable, book debts, goodwill, Intellectual Property and choses in action of every nature and kind;
- (d) all present and future documents of title, chattel paper, instruments and money of the Borrower;
- (e) all present and future Investment Assets including the Investment Assets set out on Schedule "A" hereto;
- (f) all substitutions or exchanges from time to time in respect of any of the foregoing Investment Assets;
- (g) all dividends, distributions and other income (whether in the form of Money, Investment Assets or any other property) derived from or in respect of any of the foregoing Investment Assets or payable in connection therewith and all monies and property received or receivable in the nature of the return or repayment of capital in respect thereof;
- (h) all present and future real property, personal property, assets, and undertaking of the Borrower of any nature or kind, including all real property, personal property, assets and undertaking at any time owned, leased or licenced by the Borrower or in which the Borrower at any time has any right or interest or to which the Borrower is or may at any time become entitled (other than the property, assets and undertaking of the Borrower validly pledged or assigned or subjected to a valid mortgage, charge, hypothec or security interest by subsection 11(a), 11(b), 11(c), 11(d), 11(e), 11(f) or 11(g) hereof and subject to the exceptions hereinafter contained); and
- (i) all Proceeds derived directly or indirectly from any dealing with any of the foregoing, including insurance proceeds and any other payment representing indemnity or compensation for loss of or damage thereto.

Limited Exceptions to Grant of Security Interest

12. Despite any other provision of this agreement, the last day of any term reserved by any lease of real property, oral or written, or any agreement therefor, now held or hereafter acquired by the Borrower, and whether falling within the general or particular description of the Collateral, is hereby and shall be excepted out of the Security Interest, but the Borrower shall stand possessed of the reversion of one day remaining in the Borrower in respect of any such term, for

the time being demised, as aforesaid, upon trust to assign and dispose of the same as any purchaser of such term shall direct.

13. Despite any other provision of this agreement, the Security Interest shall not attach to any Contractual Right to the extent that the granting of the Security Interest therein would constitute a breach of, or permit any Person to terminate such Contractual Right, but the Borrower shall hold its interest in each such Contractual Right in trust for the Bank and shall, after the Security Interest shall have become enforceable, specifically assign each such Contractual Right to the Bank, or as the Bank may otherwise direct. The Borrower agrees that it shall, upon the request of the Bank, whether before or after the Security Interest has become enforceable, use all commercially reasonable efforts to obtain any consent required to permit any such Contractual Right to be subjected to the Security Interest, and the Security Interest shall attach to such Contractual Right following the receipt of such consent.

Attachment

14. The Borrower confirms and agrees that:
 - (a) value has been given by the Bank to the Borrower;
 - (b) the Borrower has rights in all existing Collateral and power to transfer rights in the Collateral to the Bank; and
 - (c) the Borrower and the Bank have not postponed the time for attachment of the Security Interest and the Security Interest shall attach to existing Collateral upon the execution of this agreement and shall attach to Collateral in which the Borrower hereafter acquires rights at the time that the Borrower acquires rights in such Collateral.

Provisions with respect to Investment Assets

15. Whenever any Investment Assets is a certificated security, an uncertificated security or a security entitlement, the Borrower shall, or shall cause the issuer of such Investment Assets to, or shall cause the securities intermediary that holds such Investment Assets to, take all steps as are necessary to give exclusive control over such Investment Assets to the Bank in a manner satisfactory to the Bank.
16. All certificates representing Investment Assets may remain registered in the name of the Borrower, but the Borrower shall, promptly at the request of the Bank, duly endorse such certificates in blank for transfer or execute stock powers of attorney in respect thereof and deliver such certificates or powers of attorney to the Bank; in either case with signatures guaranteed and with all documentation being in form and substance satisfactory to the Bank. Upon the request of the Bank:
 - (a) the Borrower shall promptly cause the Investment Assets to be registered in the name of the Bank or its nominee, and the Bank is hereby appointed the irrevocable attorney (coupled with an interest) of the Borrower with full power of substitution to cause any or all of the Investment Assets to be registered in the name of the Bank or its nominee;

- (b) the Borrower shall promptly cause each securities intermediary that holds any Investment Assets that is a security entitlement to record the Bank as the entitlement holder of such Investment Assets; and
 - (c) the Borrower shall promptly:
 - (i) cause a security certificate to be issued for any Investment Assets that is in the form of an uncertificated security or a security entitlement;
 - (ii) endorse such security certificate in blank;
 - (iii) deliver such security certificate to the Bank; and
 - (iv) take all other steps necessary to give exclusive control over such certificated security to the Bank,

in a manner satisfactory to the Bank.
17. Until the occurrence of an Event of Default and further notice is given by the Bank to the Borrower terminating such rights of the Borrower, the Borrower shall be entitled to exercise all voting rights attached to the Investment Assets and give consents, waivers and ratifications in respect thereof; provided that no vote shall be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of the Bank or which would have the effect of reducing the value of the Investment Assets as security for the Obligations, or imposing any restriction on the transferability of any of the Investment Assets. All such rights of the Borrower to vote and give consents, waivers and ratifications shall cease immediately upon receipt by the Borrower of such notice by the Bank.
18. All dividends, distributions, interest and other income in respect of Investment Assets and all proceeds received by the Borrower in respect of Investment Assets may be received by the Borrower in the ordinary course and distributed in the ordinary course to the Borrower's shareholder or shareholders until the occurrence of an Event of Default and further notice by the Bank. Upon the occurrence of an Event of Default and receipt by the Borrower of such notice, the Borrower shall not be entitled to retain or distribute to its shareholder or shareholders any such dividends, distributions, interest or other income or proceeds and, if any such amounts are received by the Borrower after the Borrower receives such notice by the Bank, the Borrower shall hold such amounts in trust, as trustee for the Bank, and the Borrower shall forthwith pay such amounts to the Bank, to be applied to reduce the Obligations or, at the option of the Bank, to be held as additional security for the Obligations.
19. The responsibility of the Bank in respect of any Investment Assets held by the Bank shall be limited to exercising the same degree of care which it gives valuable property of the Bank at the Bank's office where such Investment Assets is held. The Bank shall not be bound under any circumstances to realize on any Investment Assets or allow any Investment Assets to be sold, or exercise any option or right attaching thereto, or be responsible for any loss occasioned by any sale of Investment Assets or by the retention or other refusal to sell the same; nor shall the Bank be obliged to collect or see to the payment of interest or dividends thereon but, subject to section 18, all such interest and dividends, if and when received by the Borrower, shall be held by the Borrower in trust for the Bank and shall be forthwith paid to the Bank.

Representations and Warranties of the Borrower

20. The Borrower hereby represents and warrants to the Bank that:

- (a) the Borrower has the capacity and authority to incur the Obligations, to create the Security Interest and to execute and deliver and perform its obligations under this agreement;
- (b) the execution and delivery of this agreement and the performance by the Borrower of its obligations hereunder have been duly authorized by all necessary proceedings;
- (c) this agreement constitutes a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms subject only to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting creditors' rights and the discretion exercisable by courts of competent jurisdiction in respect of the availability of equitable remedies;
- (d) except for the Security Interest and any Permitted Liens, the Collateral is owned by the Borrower free from any mortgage, charge, lien, pledge, security interest or other encumbrance or claim whatsoever;
- (e) the chief executive office of the Borrower is located at the address listed in Part I of Schedule "B" of this agreement;
- (f) the Borrower does not keep tangible Collateral at any location(s) except:
 - (i) the location listed in Part I of Schedule "B" hereto, and
 - (ii) any location(s) listed in Part II of Schedule "B" hereto,other than tangible Collateral in transit to or from such locations;
- (g) Schedule "A" attached hereto includes a complete list of all Investment Assets including all securities and securities accounts in which the Borrower has rights;
- (h) Schedule "C" attached hereto includes a complete list of all deposit, current and other accounts maintained with any bank, trust company or other financial institution in which the Borrower has rights;
- (i) all Contractual Rights, if any, relating to or affecting the Intellectual Property are in good standing;
- (j) the Borrower owns directly, or is entitled to use by Contractual Right or otherwise, all of the Intellectual Property;
- (k) other than as set out on Schedule "D" attached hereto, no litigation is pending or threatened which contains allegations respecting the validity, enforceability, infringement or ownership of any of the Intellectual Property, including any of right, title or interest of the Borrower in the Intellectual Property; and

- (l) the Borrower possesses all Intellectual Property which are material to the conduct of its businesses as now conducted; and it owns and possesses or has the right to use such Intellectual Property and is not in violation of any valid rights of others with respect thereto.

Covenants of the Borrower

21. The Borrower agrees with the Bank that, until the Obligations have been satisfied and paid in full:

- (a) it will:
- (i) maintain the tangible Collateral in good condition and repair and allow the Bank or its agent upon reasonable notice access to all premises of the Borrower to inspect any and all Collateral;
 - (ii) make and maintain all filings, registrations and recordations necessary or desirable to protect its right, title and interest in the Collateral, including all filings, registrations and recordations necessary or desirable in respect of patents, trademarks, copyrights and industrial designs included in the Intellectual Property;
 - (iii) defend the Collateral against any actions, claims and demands of any Person (other than the Bank) claiming the Collateral (or any of it) or an interest therein, including without limitation, the duty to prosecute and/or defend against any and all suits concerning validity, infringement, enforceability, ownership or other aspects affecting any of the Intellectual Property (any expenses incurred in protecting, preserving and maintaining any of the Intellectual Property shall be borne by the Borrower);
 - (iv) pay all taxes, rates, levies, assessments and other impositions and charges, of every nature and kind, which may now or hereafter be lawfully levied, assessed or imposed on or in respect of the Borrower or the Collateral (or any of it), including those which could result in the creation of a statutory lien or deemed trust affecting the Borrower or the Collateral, as and when the same become due and payable;
 - (v) maintain its corporate existence and file or cause to be filed any returns, documents or other information necessary to preserve such corporate existence;
 - (vi) hold the proceeds received from any direct or indirect dealing with the Collateral in trust for the Bank after either the Security Interest becomes enforceable or any of the Collateral is sold other than in the ordinary course of business of the Borrower and for the purpose of carrying on such business;
 - (vii) permit the Bank at any time and from time to time, both before and after the Security Interest shall have become enforceable, to require any account debtor

of the Borrower to make payment to the Bank of any or all amounts owing by the account debtor to the Borrower and the Bank may take control of any proceeds referred to in subsection 11(i) hereof and may hold all amounts received from any account debtor and any proceeds as cash collateral as part of the Collateral and as security for the Obligations;

- (viii) prevent any Collateral from becoming an accession to any personal property not subject to the Security Interest, or becoming affixed to any real property;
- (ix) deliver to the Bank, at the Bank's request, duly endorsed and/or accompanied by such assignments, transfers, powers of attorney or other documents as the Bank may request, all items of the Collateral comprising chattel paper, instruments, Investment Assets and documents of title;
- (x) pay, on demand by the Bank, all costs and expenses (including all legal fees) incurred by the Bank in the preparation, perfection, administration and enforcement of this agreement (including expenses incurred in considering, protecting or improving the Bank's position, or attempting to do so, whether before or after default) and all such costs and expenses shall form part of the Obligations and shall be secured by the Security Interest;
- (xi) at all times, both before and after the occurrence of a default, do or cause to be done such further and additional acts and things and execute and deliver or cause to be executed and delivered all such further and additional documents and agreements as the Bank may reasonably require to better pledge, assign, mortgage, charge and hypothecate the Collateral in favour of the Bank, to perfect the Security Interest and, without limiting the generality of the forgoing, to accomplish the intentions of this agreement;
- (xii) after the occurrence of an Event of Default, refrain from either directly or indirectly filing any application for registration affecting any of the Intellectual Property without the prior written consent of the Bank;
- (xiii) preserve the Borrower's rights, powers, licences, privileges and goodwill, comply with all applicable laws, regulations and orders (including environmental laws, regulations and orders) affecting the Borrower or the Collateral and conduct its business in a proper and efficient manner so as to protect the Collateral, the Security Interest and the business and undertaking of the Borrower; and
- (xiv) without limiting the generality of any of the forgoing, perform all covenants required of the Borrower under any Contractual Right relating to or affecting the Intellectual Property (or any of it), including promptly paying all required fees, royalties and taxes, to maintain each and every item of Intellectual Property in full force and effect, and vigorously protect, preserve and maintain all of the value of, and all of the right, title and interest of the Borrower in, all Intellectual Property, by way of the prosecution of or defence against suits concerning the validity, infringement, enforceability or ownership of the Intellectual Property (or any of it) or otherwise; and

- (b) it will not, without the prior written consent of the Bank:
 - (i) change its name;
 - (ii) change the location of its chief executive office from that set out in Part I of Schedule "B" hereto without providing the Bank with thirty (30) days' prior written notice thereof;
 - (iii) except as may be permitted in the Credit Agreement, keep tangible Collateral at any location other than the location(s) listed in Parts I and II of Schedule "B" hereto without providing the Bank with thirty (30) days' prior written notice thereof.

Default

22. Without prejudice to any right which the Bank may now or hereafter have to demand payment of any of the Obligations, the Obligations shall, at the option of the Bank, become payable and the Security Interest shall become enforceable upon the occurrence of an Event of Default.

Remedies of the Bank

23. Whenever the Security Interest shall have become enforceable, and so long as it shall remain enforceable, the Bank may proceed to realize the Security Interest and the Collateral and to enforce its rights by doing any one or more of the following:
- (a) entering upon the Collateral and any lands and premises where any Collateral is or may be located;
 - (b) taking possession of Collateral by any method permitted by law;
 - (c) occupying any lands and premises owned or occupied by the Borrower and using all or any part of such lands and premises and the equipment and other Collateral located thereon;
 - (d) leasing, selling, licensing or otherwise disposing of the whole or any part or parts of the Collateral;
 - (e) collecting, selling or otherwise dealing with any accounts or other amounts receivable of the Borrower, including notifying any person obligated to the Borrower in respect of an account, chattel paper or instrument to make payment to the Bank of all present and future amounts due thereon;
 - (f) taking steps and expending such monies as it considers necessary or desirable in its sole discretion to maintain, preserve and protect the Collateral, including making payments on account of other security interests affecting the Collateral; provided that the Bank shall have no obligation to take any such actions or make any such expenditures; but any such amounts paid by the Bank shall be added to the Obligations and shall be secured by the Security Interest;

- (g) collecting any rents, income, and profits received in connection with the business of the Borrower or the Collateral, without carrying on such business;
- (h) exercising all voting rights attached to any Collateral constituting Investment Assets (whether or not registered in the name of the Bank or its nominee) and giving or withholding all consents, waivers and ratifications in respect thereof and otherwise acting with respect thereto as though it were the absolute owner thereof;
- (i) exercising any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any Collateral constituting Investment Assets as if it were the absolute owner thereof including the right to exchange at its sole discretion any and all of such Investment Assets upon the merger, consolidation, reorganization, recapitalization or other readjustment of any issuer thereof, or upon the exercise by any issuer of any right, privilege or option pertaining to any such Investment Assets, and in connection therewith, to deposit and deliver any such Investment Assets with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine in its sole discretion, all without liability except to account for property actually received by it;
- (j) complying with any limitation or restriction in connection with any proposed sale or other disposition of Collateral constituting Investment Assets as may be necessary in order to comply with applicable law or regulation or any policy imposed by any stock exchange, securities commission or other governmental or regulatory authority or official, and the Borrower agrees that such compliance shall not result in such sale being considered or deemed not to have been made in a commercially reasonable manner, and the Bank shall not be liable or accountable to the Borrower for any discount in the sale price of any such Investment Assets which may be given by reason of the fact that such Investment Assets are sold in compliance with any such limitation or restriction;
- (k) carrying on the business of the Borrower or any portion thereof;
- (l) exercising any and all of the rights and remedies granted pursuant to the PPSA and any other applicable legislation, or otherwise available at law or in equity;
- (m) demanding, commencing, continuing or defending any judicial or administrative proceedings for the purpose of protecting, seizing, collecting, realizing or obtaining possession or payment of the Collateral, and giving valid and effectual receipts and discharges therefor and to compromise or give time for the payment or performance of all or any part of the accounts or other amounts receivable of the Borrower or any other obligation of any third party to the Borrower;
- (n) borrowing money for the maintenance, preservation or protection of the Collateral or for the carrying on of the business of the Borrower, and charge and grant further security interests in the Collateral in priority to the Security Interest or otherwise, as security for the money so borrowed;
- (o) accepting the Collateral in satisfaction of the Obligations;

- (p) appointing by instrument in writing a Receiver or Receivers of the Collateral or any part thereof;
 - (q) bringing proceedings in any court of competent jurisdiction for the appointment of a Receiver or Receivers or for the sale of the Collateral or any part thereof; and
 - (r) filing such proofs of claim and other documents as may be necessary or advisable in order to have its claim lodged in any bankruptcy, winding-up or other judicial proceedings relating to the Borrower or the Collateral.
24. Any Receiver appointed by the Bank may be any person or persons (including one or more officers or employees of the Bank), and the Bank may remove any Receiver so appointed and appoint another or others instead. Any such Receiver may exercise any and all of the rights, remedies and powers of the Bank provided in this agreement. The Bank shall not be responsible for the actions, errors or omissions of any Receiver appointed by the Bank and any such Receiver shall be deemed to act as agent for the Borrower for all purposes, including the occupation of any lands and premises of the Borrower and in carrying on the Borrower's business, unless the Bank expressly specifies in writing that the Receiver shall be agent for the Bank for one or more purposes. Without limiting the generality of the forgoing, for the purposes of realizing upon the Security Interest, any Receiver may sell, lease, or otherwise dispose of Collateral as agent for the Borrower or as agent for the Bank as the Bank may specify in writing in its sole discretion. The Borrower agrees to ratify and confirm all actions of any Receiver appointed by the Bank acting as agent for the Borrower, and to release and indemnify the Receiver in respect of all such actions.
25. Without limiting the ability of the Bank or any Receiver to dispose of Collateral in any other manner, the Borrower agrees that any sale, lease or other disposition of the Collateral hereunder may be completed by public auction, public tender or private contract, with or without notice, with or without advertising and with or without any other formality (except as required by law), all of which are hereby waived by the Borrower. Any such disposition of Collateral may involve all or part of the Collateral and may be on such terms and conditions as to credit or otherwise and as to upset or reserve bid or price as the Bank or any Receiver appointed by the Bank may, in its sole discretion, deem advantageous and may take place whether or not the Bank or any such Receiver has taken possession of such Collateral. Any purchaser or lessee of Collateral may be a customer of the Bank.
26. The Bank shall not be liable for any delay or failure to enforce any rights, powers or remedies available to it or to institute any proceedings for such purposes.
27. No right, power or remedy of the Bank (whether granted herein or otherwise) shall be exclusive of or dependent on or merge in any other right, power or remedy, but all such rights, powers and remedies may from time to time be exercised independently or in combination.
28. The Borrower agrees to pay to the Bank, forthwith on demand by the Bank, all costs and expenses incurred by the Bank in connection with the exercise by the Bank of its rights, powers and remedies hereunder, including:

- (a) any costs and expenses incurred by the Bank in taking, holding, moving, storing, recovering, possessing, repairing, processing, preparing for disposition or disposing of Collateral;
- (b) any legal fees and expenses incurred by the Bank in enforcing its rights, powers and remedies, including those incurred in connection with any proceedings taken for the purpose of enforcing its rights, powers and remedies hereunder or otherwise relating to the non-payment or non-performance of any Obligations;
- (c) the cost of borrowing amounts as hereinbefore provided (for the purpose of carrying on the Borrower's business or otherwise), including, the principal amount or any such amount borrowed, all interest thereon and fees relating thereto; and
- (d) all costs and expenses of or incurred by any Receiver, agent or consultant appointed by the Bank (including any legal fees and expenses incurred by any such Receiver, agent or consultant).

All such sums shall bear interest at the highest rate applicable to the Obligations, shall form part of the Obligations and shall be secured by the Security Interest.

- 29. Any and all payments made in respect of the Obligations from time to time and moneys realized from any Collateral (including moneys realized on any enforcement of this agreement) may be applied to such part or parts of the Obligations as provided in the Credit Agreement.
- 30. The Borrower shall remain liable for all Obligations that are outstanding following realization of all or any part of the Collateral.

Rights of the Bank

- 31. The Bank may pay the whole or any part of any liens, taxes, rates, charges or encumbrances now or hereafter existing in respect of any Collateral and such payments together with all costs, charges and expenses which may be incurred in connection with making such payments shall form part of the Obligations, shall bear interest at the highest rate applicable to the Obligations, and shall be secured by the Security Interest. Whenever the Bank pays any such lien, tax, rate, charge or encumbrance, it shall be entitled to all the equities and securities of the Person or Persons so paid and is hereby authorized to obtain any discharge thereof and hold such discharge without registration for so long as it may deem advisable to do so.
- 32. If the Borrower fails to perform or comply with any covenant or other obligation of the Borrower under this agreement, the Bank may, but need not, perform or otherwise cause the performance or compliance of such covenant or other obligation, provided that any performance or compliance undertaken by the Bank will not constitute a waiver, remedy or satisfaction of such failure. The costs and expenses of the Bank incurred in connection with any such performance or compliance shall be payable by the Borrower to the Bank on demand, form part of the Obligations, bear interest at the highest rate applicable to the Obligations and be secured by the Security Interest.

33. The Borrower grants to the Bank the right to set off against the Obligations (or any portion thereof) any amount owed by the Bank to the Borrower, including the amount of any and all accounts, credits or balances maintained by the Borrower with the Bank.
34. The Bank, without exonerating in whole or in part the Borrower, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Borrower and all other Persons and securities as the Bank may see fit.
35. Nothing herein shall obligate the Bank to extend or amend any credit to the Borrower or to any other Person.
36. The Bank may assign, transfer and deliver to any transferee any of the interests in the Obligations or any security or any documents or instruments held by the Bank in respect thereof in accordance with Section 12.12 of the Credit Agreement. The Borrower shall not assign any of its rights or obligations hereunder without the prior written consent of the Bank.

Amalgamation of Borrower

37. If the Borrower amalgamates with any other corporation or corporations, this agreement shall continue in full force and effect and shall be binding on the amalgamated corporation and, for greater certainty:

(a) the Security Interest shall:

- (i) continue to secure payment of all obligations of the Borrower to the Bank pursuant to or in respect of the Credit Agreement;
- (ii) secure payment of all obligations of each other amalgamating corporation to the Bank pursuant to or in respect of the Credit Agreement; and
- (iii) secure payment of all obligations of the amalgamated corporation to the Bank pursuant to or in respect of the Credit Agreement arising on or after the amalgamation;

and the term "Obligations" shall include all such obligations of the Borrower, the other amalgamating corporations and the amalgamated corporation;

(b) the Security Interest shall:

- (i) continue to charge all property and assets of the Borrower;
- (ii) charge all property and assets of each other amalgamating corporation; and
- (iii) charge all property and assets of the amalgamated corporation in existence at the time of the amalgamation and all property and assets acquired by the amalgamated corporation after the amalgamation;

and the term "Collateral" shall include all such property and assets of the Borrower, the other amalgamating corporations and the amalgamated corporation;

- (c) all defined terms and other provisions of this agreement shall be deemed to have been amended to reflect such amalgamation, to the extent required by the context; and
- (d) the parties agree to execute and deliver all such further documents and assurances as may be necessary or desirable in connection with the foregoing.

Notices

- 38. Any notice, demand, consent, approval or other communication to be made or given under or in connection with this agreement shall be in writing and may be made or given and shall be deemed received in the manner provided for in Section 12.07 of the Credit Agreement.

Miscellaneous

- 39. In the event that any day, on or before which any action is required to be taken hereunder, is not a Business Day, then such action shall be required to be taken on or before the first Business Day thereafter.
- 40. Time shall be of the essence of this agreement.
- 41. Upon payment and fulfillment by the Borrower, its successors or permitted assigns, of all Obligations and provided that the Bank is then under any obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Borrower or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Bank shall, upon request in writing by the Borrower and at the Borrower's expense, discharge this agreement.
- 42. This agreement is in addition to and not in substitution for any other security now or hereafter held by the Bank and shall be general and continuing security notwithstanding that the Obligations shall be at any time or from time to time fully satisfied or paid.
- 43. The Bank may in writing (and not otherwise) waive any default by the Borrower in the observance or performance of any provision of this agreement; provided that no waiver by the Bank shall extend to or be taken in any manner whatsoever to affect any subsequent default, whether of the same or a different nature, or the rights resulting therefrom.
- 44. This agreement shall enure to the benefit of the Bank, its successors and assigns, and shall be binding on the Borrower, its successors and permitted assigns.
- 45. The Borrower agrees that the Bank may from time to time provide information concerning this agreement (including a copy hereof), the Collateral and the Obligations to any Person the Bank in good faith believes is entitled thereto pursuant to applicable legislation.
- 46. This agreement may be executed in any number of counterparts, all of which when taken together shall constitute one agreement. Any signatory hereto may deliver an executed copy of this agreement by facsimile or electronic mail to the addressee hereto provided that in such

event that party shall promptly deliver to the addressee hereto an originally executed copy of this agreement.

47. To the extent that there is any inconsistency between a provision of this agreement and a provision of the Credit Agreement, the said provision in the Credit Agreement shall govern.
48. The Borrower acknowledges receipt of an executed copy of this agreement.

IN WITNESS WHEREOF this agreement has been executed by the Borrower as of the date first written above.

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IN WITNESS WHEREOF this agreement has been executed by the Borrower as of the date first written above.

KK PRECISION INC.

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

I/We have authority to bind the corporation.

SCHEDULE "A"

LIST OF SECURITIES AND SECURITIES ACCOUNTS

Securities:

Registered Owner	Issuer	Certificate Number	Description of Interest	% of Outstanding Interests
N/A	N/A	N/A	N/A	N/A

Security Entitlements:

Brokerage Firm	Securities Account No(s)
N/A	N/A

SCHEDULE "B"

Part I

Location of the Targetsub's Chief Executive Office

104 Oakdale Road, Toronto, Ontario Canada M3N 1V9

Part II

Other Location(s) of the Targetsub's Tangible Collateral

1. Bay Adelaide Centre, P.O. Box 2900, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4
2. 6170 Ordan Drive, Mississauga, Ontario, Canada L5T 2B 3
3. Bradley Ontario Precision Inc. – 164 Buttermill Ave, Concord, Ontario L4K 3X6
4. Bradken Limited – 3040 Osler Street, London, Ontario N5V 1V3
5. CR Components Inc. – 4864 Talbot Hwy 3 West, Cayuga, Ontario NOA 1EO
6. DMI Precision Inc. – 6170 Ordan Drive, Mississauga, Ontario, Canada L5T 2B 3
7. Delta Grinding Co. – 1283 Matheson Blvd., Mississauga, Ontario L4W 1R1
8. Fountain Plating – 492 Prospect Avenue, West Springfield, MA 01089
9. Byron Products – 3781 Port Union Rd., Fairfield, OH 45014
10. Sablage Au Jet 2000 Inc. – 20815 Chemin Cote Nord, Boisbriand, QC J7E 4H5
11. MacFab Manufacturing Inc. – 1200 Aimco Blvd, Mississauga, Ontario L4W 1B2
12. Specialized Welding – 570 McGeachie Drive, Milton, Ontario L9T 3Y5
13. Bloom Industrial Machining – 135 Industrial Td., Unit #4, Cambridge, Ontario N3H 4W3
14. Alpen Machine & Tool LTD. – 41-A Buttermill Avenue Cocorde, Ontario L4K 3X1
15. MTM Automation & Aerospace Mfg Inc. – 357 Michener Rd., Guelf Ontario N1K 1E8
16. Pratt & Whitney Canada – 1000 Blvd. Marie Victorin, Longueuil, QC

17. Pratt & Whitney Canada c/o Excel Canada Ltd. – 100 World Drive, Mississauga, ON
18. Pratt & Whitney Canada c/o Transport Robert – 65 De Vauderuil, Boucherville, QC
19. Vantage – 6160 Ordan Drive, Mississauga, ON
20. Vac Aero – 1365 Rue Newton, Boucherville, QC
21. Vac Aero – 7451 Rue Verite, St. Laurent, QC
22. Vac Aero – 1371 Speers Rd., Oakville, ON
23. Axis Tool & Gauge Inc. – 664 Bishop Street, Cambridge, ON

SCHEDULE "C"

LIST OF BANK ACCOUNTS

KK Precision Inc. (Targetsub).

<u>Bank/Trust Company</u>	<u>Branch Address</u>	<u>Account No.</u>
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Transit #24752 Canadian Dollar Account #1006-557
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Transit #24752 US Dollar Account #4603-292
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Safety Deposit Box No. 127

SCHEDULE "D"

IP LITIGATION

None.

SCHEDULE "A"

LIST OF SECURITIES AND SECURITIES ACCOUNTS

Securities:

Registered Owner	Issuer	Certificate Number	Description of Interest	% of Outstanding Interests
N/A	N/A	N/A	N/A	N/A

Security Entitlements:

Brokerage Firm	Securities Account No(s)
N/A	N/A

SCHEDULE "B"

Part I

Location of the Amalco's Chief Executive Office

104 Oakdale Road, Toronto, Ontario Canada M3N 1V9

Part II

Other Location(s) of the Amalco's Tangible Collateral

1. Bay Adelaide Centre, P.O. Box 2900, 333 Bay Street, Suite 2900, Toronto, Ontario M5H 2T4
2. 6170 Ordan Drive, Mississauga, Ontario, Canada L5T 2B 3
3. Bradley Ontario Precision Inc. – 164 Buttermill Ave, Concord, Ontario L4K 3X6
4. Bradken Limited – 3040 Osler Street, London, Ontario N5V 1V3
5. CR Components Inc. – 4864 Talbot Hwy 3 West, Cayuga, Ontario NOA 1E0
6. DMI Precision Inc. – 6170 Ordan Drive, Mississauga, Ontario, Canada L5T 2B 3
7. Delta Grinding Co. – 1283 Matheson Blvd., Mississauga, Ontario L4W 1R1
8. Fountain Plating – 492 Prospect Avenue, West Springfield, MA 01089
9. Byron Products – 3781 Port Union Rd., Fairfield, OH 45014
10. Sablage Au Jet 2000 Inc. – 20815 Chemin Cote Nord, Boisbriand, QC J7E 4H5
11. MacFab Manufacturing Inc. – 1200 Aimco Blvd, Mississauga, Ontario L4W 1B2
12. Specialized Welding – 570 McGeachie Drive, Milton, Ontario L9T 3Y5
13. Bloom Industrial Machining – 135 Industrial Td., Unit #4, Cambridge, Ontario N3H 4W3
14. Alpen Machine & Tool LTD. – 41-A Buttermill Avenue Cocorde, Ontario L4K 3X1
15. MTM Automation & Aerospace Mfg Inc. – 357 Michener Rd., Guelf Ontario N1K 1E8
16. Pratt & Whitney Canada – 1000 Blvd. Marie Victorin, Longueuil, QC

17. Pratt & Whitney Canada c/o Excel Canada Ltd. – 100 World Drive, Mississauga, ON
18. Pratt & Whitney Canada c/o Transport Robert – 65 De Vauderuil, Boucherville, QC
19. Vantage – 6160 Ordan Drive, Mississauga, ON
20. Vac Aero – 1365 Rue Newton, Boucherville, QC
21. Vac Aero – 7451 Rue Verite, St. Laurent, QC
22. Vac Aero – 1371 Speers Rd., Oakville, ON
23. Axis Tool & Gauge Inc. – 664 Bishop Street, Cambridge, ON

SCHEDULE "C"

LIST OF BANK ACCOUNTS

KK Precision Inc. (Amalco).

<u>Bank/Trust Company</u>	<u>Branch Address</u>	<u>Account No.</u>
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Transit #24752 Canadian Dollar Account #1006-557
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Transit #24752 US Dollar Account #4603-292
Bank of Montreal	3700 Steeles Avenue West, Woodbridge, Ontario L4L 8K8 Canada	Safety Deposit Box No. 127

SCHEDULE "D"

IP LITIGATION

None.

ASSIGNMENT OF MATERIAL AGREEMENTS

THIS IS AN AGREEMENT made as of September 1, 2011 by KK Precision Inc. (the company resulting from the amalgamation of KKP Acquisition Corp., Precinda Inc. and KK Precision Inc. and referred to herein as the "Assignor") in favour of Bank of Montreal ("BMO") and BMO Capital Corporation ("BMOCC", BMOCC together with BMO are collectively referred to herein as the "Assignee").

WHEREAS:

1. Assignor as successor in interest and: (i) BMO are parties to a credit agreement dated as of the date hereof (as such credit agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "BMO Credit Agreement"); and (ii) BMOCC are parties to a credit agreement dated as of the date hereof (as such credit agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "BMOCC Credit Agreement", BMOCC Credit Agreement together with the BMO Credit Agreement are collectively referred to herein as the "Credit Agreement");
2. Assignor as successor in interest and, *inter alia*, Precinda Corporation are parties to a share purchase agreement dated as of the date hereof (the "Share Purchase Agreement"), a true and complete copy of which is attached hereto as Schedule "A";
3. Assignor as successor in interest and, *inter alia*, Precinda Corporation are parties to an escrow agreement dated as of the date hereof (the "Escrow Agreement"), a true and complete copy of which is attached hereto as Schedule "B";
4. Assignor as successor in interest and Pratt & Whitney Canada Corp. are parties to a: (i) long term purchase agreement dated as of September 18, 2002; (ii) memorandum of agreement dated as of January 25, 2006; and (iii) memorandum of agreement dated as of April 17, 2008 (as such agreements may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as, collectively, the "Pratt Agreements"), true and complete copies of which are attached hereto as Schedule "C";
5. Assignor as successor in interest and Rolls-Royce Canada Limited are parties to an agreement for the supply of goods or services (RRC/LTA 2007-0033) dated January 31, 2007 as amended by an amending agreement dated October 29, 2010 (as such agreement may hereafter be further amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Rolls-Royce Agreement"), a true and complete copy of which is attached hereto as Schedule "D";
6. Assignor as successor in interest and Rolls-Royce Power Engineering Plc. are parties to a long term pricing agreement (NM004 – issue 1) dated August 25, 2009 (as such agreement may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Rolls-Royce Engineering Agreement"), a copy of which is attached hereto as Schedule "E";
7. Assignor as successor in interest and Rolls-Royce plc are parties to an agreement R-RGCP2003/1 DPC NM004 dated July 24, 2009 (as such agreement may hereafter be amended, restated,

replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Rolls-Royce plc Agreement"), a copy of which is attached hereto as Schedule "F";

8. Assignor as successor in interest and Tyson Tool Company Limited are parties to a cutting tool integration proposal dated August 14, 2007 (as such proposal may hereafter be amended, restated, replaced, supplemented or otherwise modified from time to time being hereinafter referred to as the "Tyson Tool Agreement"), a copy of which is attached hereto as Schedule "G";
9. The Share Purchase Agreement, Escrow Agreement, Pratt Agreements, Rolls-Royce Agreement, Rolls-Royce Engineering Agreement, Rolls-Royce plc Agreement and the Tyson Tool Agreement are collectively referred to herein as the "Material Agreements"; and
10. As a condition to the provision of credit or otherwise making financial accommodations available to the Assignor under the Credit Agreement, the Assignee has required, among other things, that the Assignor agree to assign to the Assignee, as continuing security, all of the Assignor's present and future rights and interests in and to the Material Agreements;

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the Assignor) the Assignor covenants, agrees and declares in favour of the Assignee as follows:

ARTICLE 1 **INTERPRETATION**

1.1 Interpretation

Each word and expression (capitalized or not) defined or given an extended meaning in the Credit Agreement, and not otherwise defined herein, is used in this agreement with the respective defined or extended meaning assigned in the Credit Agreement. To the extent that there is any inconsistency between a provision of this agreement and a provision of the Credit Agreement, the said provision in the Credit Agreement shall govern.

1.2 Severability.

If any term or provision contained in this Agreement or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, and the application of such term or provision to persons and circumstances other than those in respect of which it is held invalid or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

1.3 Governing Law.

This Agreement shall be governed by, and interpreted and enforced in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein. The Assignor irrevocably attorns to, and submits to the non-exclusive jurisdiction of, the courts of Ontario with respect to any matter arising hereunder or related hereto.

1.4 Binding On Successors, Etc.

This Agreement and everything contained in this Agreement shall enure to the benefit of each Assignee and the respective successors and assigns of each and shall be binding upon the Assignor and its successors and permitted assigns. The Assignor may not assign any of its rights or obligations under this Agreement without the prior written consent of the Assignee.

1.5 Material Agreements.

The Assignor represents and warrants to the Assignee that the recitals contained herein are true and correct in all respects. The Assignor represents and warrants that true copies of the Material Agreements are attached hereto as Schedules "A", "B", "C", "D", "E", "F" and "G" and that the Assignor, is in compliance in all material respects with all provisions of the Material Agreements as of the date hereof and that there have been no amendments to any of the Material Agreements, other than as disclosed above.

ARTICLE 2 **ASSIGNMENT, ETC.**

2.1 Assignment.

Upon and subject to the terms, conditions and provisions contained in this Agreement, the Assignor by this Agreement, unconditionally and irrevocably assigns, transfers and sets over to and in favour of the Assignee for the benefit of the Assignee as and by way of a fixed and specific assignment, and grants to the Assignee a continuing security interest in, all of the Assignor's present and future right, title, estate and interest in, to, under and in respect of:

- (a) each of the Material Agreements and all rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor to be derived from each of the Material Agreements;
- (b) all covenants, obligations and agreements to exercise and enforce the rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor under, in connection with or in respect of each of the Material Agreements;
- (c) all indemnities (contractual, statutory or otherwise) under, in connection with or in respect of each of the Material Agreements and all rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor to be derived from all such indemnities and otherwise to exercise and enforce the rights, entitlements, privileges, benefits, powers, licences and advantages of the Assignor in respect of all such indemnities;
- (d) all revenues and other moneys or amounts now due and payable, or which may in the future become due and payable, to the Assignor under or in connection with the Material Agreements (or any one or more of them) or which are now, or may in the future become, receivable by the Assignor pursuant to or in connection with the Material Agreements (or any one or more of them); and
- (e) all rights of the Assignor to perform and exercise all of its rights, entitlements, privileges, benefits, powers, licences and advantages under, in connection with or with respect to, and all remedies in connection with, the Material Agreements and all rights or claims of

the Assignor to damages arising out of, or for, breach or default in respect of the Material Agreements

(collectively, the "Assigned Premises"),

to be held by the Assignee as general and continuing security for the due payment and performance of all present and future debts, liabilities and obligations of the Assignor to the Assignee (whether as principal debtor, guarantor, surety or otherwise) of any and every nature whatsoever and however incurred including, without limitation, under, in connection with or with respect to the Credit Agreement (collectively, the "Obligations").

Nothing in this Agreement shall be construed as an assignment of, or an attempt to assign any of the Material Agreements to the extent that such agreement is not assignable or not assignable without approval or consent of the issuer thereof or the other party or parties thereto without first obtaining such approval or consent (each such Material Agreement being collectively called, the "Excluded Collateral"). At the request of any Assignee, the Assignor shall use all commercially reasonable efforts to obtain all consents and approvals required in connection with the Material Agreements. Until such consents and approvals are obtained, the Assignor shall, to the extent that it may do so by law or under the terms of the Excluded Collateral and without giving rise to any default, penalty or right of termination, hold all right, title, benefit and interest to be derived therefrom in trust for the Assignee as additional security as if the assignment contained herein applied, and shall deliver up such right, title, benefit and interest to the Assignee forthwith upon the occurrence and continuation of an Event of Default.

2.2 No Liability.

Nothing contained in this Agreement shall render the Assignee (or either of them), or any of its agents, employees or any other persons for whom the Assignee (or either of them) is in law responsible, liable to any person for the fulfillment or non-fulfillment of the obligations, covenants and agreements (including, but not limited to, the payment of any monies under or in respect of the Material Agreements (or any one or more of them)) of the Assignor under the Material Agreements. The Assignor hereby indemnifies and agrees to save and hold harmless the Assignee (or either of them) from and against any and all claims, demands, actions, causes of action, losses, suits, damages and costs whatsoever of any person arising directly or indirectly from or out of the Material Agreements (or any one or more of them) other than by reason of gross negligence or wilful misconduct of the Assignee (or any of them).

2.3 Attorney of the Assignor.

The Assignee (or either of them), as attorney or agent of the Assignor and in its name, may, at any time and from time to time after the occurrence of an Event of Default, exercise any of the rights, entitlements, privileges, powers, benefits, licences, advantages, authorities and discretions which under the terms of the Assigned Premises could be exercised by the Assignor with respect to the Assigned Premises.

2.4 Performance Until the Acceleration Date.

Until the Acceleration Date, the Assignor, subject to any other agreement between the Assignee (or either of them) and the Assignor, shall: (a) be entitled to deal with the Assigned Premises and to enforce all of the benefits, advantages and powers under the Material Agreements as though the

security interest created by this Agreement had not been made; and (b) perform all covenants and obligations to be performed by it under the terms of the Material Agreements. On the Acceleration Date, the Assignee (or either of them) may, but shall not be obligated to, exercise all rights, powers, benefits, advantages, authority and discretions of the Assignor in respect of the Assigned Premises and to exercise the rights granted to the Assignee under this Agreement in respect of the Assigned Premises in the place and stead of the Assignor, all of which are hereby consented to by the Assignor.

2.5 No Amendment/Notice of Default.

The Assignor shall not restate, replace or make any material amendment to the Share Purchase Agreement or the Escrow Agreement without the prior written consent of the Assignee, such consent not to be unreasonably withheld or delayed. Non-material amendments may be made to the Share Purchase Agreement or the Escrow Agreement provided that the Assignor shall deliver copies of such amendments to the Assignee within 15 days of entering into same. The Assignor undertakes to provide written notice to the Assignee forthwith upon receiving any notice of default or event of default in connection with the Material Agreements (or any one or more of them).

ARTICLE 3 **DEFAULT**

3.1 Rights of Assignee on the Acceleration Date.

Commencing on the Acceleration Date, without limiting the rights of the Assignee (or either of them) under or pursuant to this Agreement, any other security or agreement provided by the Assignor to the Assignee (or either of them) or any other person pursuant to or in connection with any of the Obligations or otherwise provided by law, the Assignee (or either of them) shall be entitled:

- (a) to enforce, realize, sell, assign, transfer, require continued performance under or otherwise deal with the Assigned Premises, upon such terms and conditions and at such time or times as may seem to it advisable, and to charge on its own behalf and pay to others reasonable sums for expenses incurred and for services rendered (expressly including legal advice and services) in connection with so collecting, realizing, or obtaining performance of the Assigned Premises, and to add the amount of such sums to the Obligations;
- (b) to renew, amend or otherwise deal with the Assigned Premises (including, without limitation, the authority to demand, sue for, recover, receive and give receipts for all work, services and goods to be provided under the Assigned Premises and to give consents or waivers with respect to, or otherwise enter into agreements, understandings or arrangements respecting, the Assigned Premises), or make other agreements in respect of the business and operations of the Assignor or any part or parts or parts thereof for such consideration and on such terms as it may deem appropriate;
- (c) to perform at the Assignor's expense any and all obligations or covenants of the Assignor under the Assigned Premises or in respect thereof and to enforce performance by each of the parties to the Material Agreements of their respective obligations, covenants and agreements thereunder (any and all such expenses incurred by the Assignee (or either of them) shall be repaid by the Assignor to the Assignee (or either of

them) on demand and shall form part of the Obligations and interest shall accrue thereon at the same rate as set out in the Credit Agreement);

- (d) to manage generally the business and operations of the Assignor and deal with the Assigned Premises to the same extent as the Assignor could do; and
- (e) by instrument in writing appoint any person to be a receiver (which term shall include a manager and a receiver and manager) of the business and operations of the Assignor or any part thereof and may remove any receiver so appointed and appoint another in his stead; and any receiver so appointed shall have the authority to do any of the acts specified in this Section and further to take possession of and collect the revenues and other moneys of all kinds payable to the Assignor in respect of the Assigned Premises and pay therefrom all reasonable expenses of completing, maintaining, preserving, protecting and operating the business and operations of the Assignor, the payment of which may be necessary or desirable to complete, preserve and protect the business and operations of the Assignor and the Assigned Premises,

the whole without any liability or responsibility of any kind on the part of the Assignee (or either of them) or their respective agents or receivers (other than by reason of the gross negligence or wilful misconduct of such persons).

3.2 No Obligation to Enforce Assigned Premises.

The Assignee (or either of them) shall not be liable or accountable for any future failure to enforce or otherwise deal with the Assigned Premises and the Assignee (or either of them) shall not be bound to institute proceedings for the purpose of enforcing or otherwise dealing with the Assigned Premises or for the purpose of preserving any rights of the Assignee (or either of them), the Assignor, or any other person in respect of the same. No failure to exercise or any delay on the part of any Assignee in exercising any right, power or remedy provided in this Agreement or by law shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any further or other exercise of the same right, power or remedy or the exercise of any other such right, power or remedy. Where any discretionary powers under this Agreement are vested in an Assignee or its agents or receiver, such powers may be exercised by an officer or manager of such Assignee or its appointed agents or receiver, as the case may be.

3.3 Application of Assigned Premises.

All monies or other amounts collected or received by any Assignee in respect to the Assigned Premises may be applied on account of such part of the Obligations as provided in the Credit Agreement.

ARTICLE 4 **GENERAL**

4.1 No Release.

This Agreement shall remain in full force and effect without regard to, and the obligations of the Assignor hereunder shall not be affected or impaired by: (a) any amendment, modification, replacement of or addition or supplement to the Credit Agreement (or either of them) or any other agreement or security provided to the Assignee (or either of them), or any other person with respect to any

Obligations; (b) any exercise or non-exercise of any right, remedy, power or privilege in respect of the Credit Agreement, the Obligations or any other agreement or security provided to an Assignee; (c) any waiver, consent, extension, indulgence or other action, inaction or omission under or in respect of the Credit Agreement or any other agreement or security provided to an Assignee with respect to any Obligations; (d) any default by the Assignor under, or any invalidity or unenforceability of, or (subject to Section 4.2) any limitation of the liability of the Assignor or on the method or terms of payment under, or any irregularity or other defect in, and the Credit Agreement or any other agreement or security provided to an Assignee with respect to any Obligations; (e) any merger, consolidation or amalgamation of the Assignor or any partners of the Assignor into or with any other person or any change in the persons who are from time to time partners of the Assignor; or (f) any insolvency, bankruptcy, liquidation, reorganization, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Assignor or any partners of the Assignor.

4.2 Termination of this Agreement.

Upon payment and fulfillment by the Assignor, its successors or permitted assigns, of all Obligations and provided that the Assignee is then under any obligation (conditional or otherwise) to make any further loan or extend any other type of credit to the Assignor or to any other Person, the payment of which is secured, directly or indirectly, by this agreement, the Assignee shall, upon request in writing by the Assignor and at the Assignor's expense, discharge this agreement.

4.3 No Partnership.

Nothing contained in this Agreement shall be deemed or construed as creating the relationship of principal and agent or of partnership or of joint venture between the Assignor and the Assignee; it being understood and agreed that none of the provisions contained in this Agreement or any acts of the Assignee or of the Assignor, shall be deemed to create any relationship between the Assignee and the Assignor other than the relationship of assignee and assignor.

4.4 Rights and Remedies Cumulative.

The rights and remedies given to the Assignee under this Agreement shall be cumulative of and not substituted for any rights and remedies to which the Assignee may be entitled under any other agreement or security provided to the Assignee with respect to any Obligations or under statute, at law or in equity, and may be exercised whether or not the Assignee has pursued or is then pursuing any other such rights and remedies. Further, nothing in this Agreement shall curtail or limit the remedies of the Assignee as permitted by law or in any statute to a creditor, all such remedies being in addition to and not in substitution for any other rights of the Assignee under this Agreement, or any other agreement or security provided to the Assignee with respect to any Obligations.

4.5 Time of Essence.

Time shall be of the essence of this Agreement.

4.6 Notices.

All notices and other communications given under or with respect to this Agreement shall be given, pursuant to Section 13.07 of the Credit Agreement.

4.7 Waiver.

No consent or waiver, express or implied, by the Assignee to or of any breach or default by the Assignor in performance of its obligations under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by the Assignor under this Agreement. Failure on the part of the Assignee to complain of any act or failure to act of the Assignor or to declare the Assignor in default, irrespective of how long such failure continues, shall not, by itself, constitute a waiver by the Assignee of its rights under this Agreement.

4.8 Amendments.

This Agreement may not be modified or amended except with the written consent of the Assignor and the Assignee.

4.9 Continuing Security.

This Agreement and the rights and remedies it creates are a continuing agreement and security, and shall bind the parties until discharge of this Agreement as provided in Section 4.2 of this Agreement.

4.10 Indemnity.

The Assignor shall be liable for, and shall indemnify and save the Assignee harmless of and from, all manner of actions, causes of action, demands, claims, losses, costs, damages and expenses of any and every nature whatsoever which the Assignee may sustain, pay or incur in respect of or in connection with (a) the Assigned Premises, (b) any and all actions of the Assignor pursuant to the exercise by the Assignor of any of its rights, duties or obligations under or in respect of the Assigned Premises, and (c) the lawful and proper exercise or performance by the Assignee of any of its rights and powers as authorized under this Agreement (other than by reason of the gross negligence or wilful misconduct of the Assignee).

4.11 Expenses.

The Assignor shall pay to the Assignee on demand all reasonable out-of-pocket costs and expenses incurred by the Assignee in connection with the preparation, execution, delivery and administration of this Agreement and all related documentation and the amendment and enforcement of, and the preservation and protection of any of the Assignee's rights under, this Agreement and such related documentation (including the reasonable fees and out-of-pocket expenses of counsel for the Assignee for services provided in connection with the foregoing matters and all sales, goods and services and other similar taxes payable under the laws of any applicable jurisdiction with respect thereto) and shall pay to the Assignee interest thereon, calculated from and including the due date thereof and payable on demand, at the highest per annum rate of interest from time to time applicable to the Obligations, all of which amounts shall be added to, and be deemed to form part of, the Obligations.

4.12 Statutory Waivers.

To the fullest extent permitted by law, the Assignor waives all of the rights, benefits and protections given by the provisions of any existing or future statute or regulation which imposes limitations on the powers, rights or remedies of a secured party or on the methods of realization of security, including, without limitation, any seize or sue or anti-deficiency statute or any similar provision of any other statute.

4.13 Receipt.

The Assignor acknowledges receipt of an executed copy of this Agreement.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS OF WHICH the Assignor has duly executed this Agreement as of the date indicated on the first page of this Agreement.

KK PRECISION INC.

By: 

Name:

Title:

All schedules attached to this Assignment of Material Agreements are identical in form and substance as those schedules that appear in the Assignment of Material Agreements between BMO and the Applicant.

TAB G

Exhibit "G" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 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



PERSONAL PROPERTY SECURITY
REGISTRATION SYSTEM (ONTARIO)
ENQUIRY RESULTS

Prepared for :	DENTONS CANADA LLP-B MORAN
Reference :	557860-1
Docket :	BM
Search ID :	532399
Date Processed :	5/6/2014 4:16:58 PM
Report Type :	PPSA Electronic Response
Search Conducted on :	KK PRECISION INC.
Search Type :	Business Debtor

DISCLAIMER :

This report has been generated using data provided by the Personal Property Registration Branch, Ministry of Government Services, Government of Ontario. No liability is undertaken regarding its correctness, completeness, or the interpretation and use that are made of it.

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

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

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: KK PRECISION INC.

FILE CURRENCY: May 5, 2014

RESPONSE CONTAINS: APPROXIMATELY 7 FAMILIES and 23 PAGES.

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

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE
INTERPRETATION AND USE THAT ARE MADE OF IT.

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 7 ENQUIRY PAGE : 1 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 014338278 EXPIRY DATE : 15OCT 2016 STATUS :
01 CAUTION FILING : PAGE : 1 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 19911015 1150 0043 0047 REG TYP: P PPSA REG PERIOD: 5
02 IND DOB : IND NAME:
03 BUS NAME: K.K. PRECISION PARTS LIMITED
OCN :
04 ADDRESS : 119 OAKDALE ROAD
CITY : DOWNSVIEW PROV: ONT POSTAL CODE: M9N 1W2
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS : 330 OAKDALE ROAD
CITY : DOWNSVIEW PROV: ONT POSTAL CODE: M9N 1W2

08 SECURED PARTY/LIEN CLAIMANT :
BANK OF MONTREAL, TORONTO CENTRE DISTRICT
09 ADDRESS : P.O. BOX 1, FIRST CANADIAN PLACE 3RD FLO
CITY : TORONTO PROV: ONT POSTAL CODE: M5X 1A1
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X X
YEAR MAKE MODEL V.I.N.

11
12
13
14
15
16 AGENT:
17 ADDRESS :
CITY : PROV: POSTAL CODE:

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 7 ENQUIRY PAGE : 2 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 014338278 EXPIRY DATE : 15OCT 2016 STATUS :
01 CAUTION FILING : PAGE : 2 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 19911015 1150 0043 0047 REG TYP: P PPSA REG PERIOD: 5
02 IND DOB : IND NAME:
03 BUS NAME: MICRO MACHINE AND TOOL CO.
OCN :
04 ADDRESS : 119 OAKDALE ROAD
CITY : DOWNSVIEW PROV: ONT POSTAL CODE: M9N 1W2
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS : 330 OAKDALE ROAD
CITY : DOWNSVIEW PROV: ONT POSTAL CODE: M9N 1W2

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :
CITY : PROV: POSTAL CODE:
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10
YEAR MAKE MODEL V.I.N.
11
12
GENERAL COLLATERAL DESCRIPTION
13
14
15
16 AGENT:
17 ADDRESS :
CITY : PROV: POSTAL CODE:

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 3 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : OF MV SCHED: 19930312 1314 0043 7659 P PPSA
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K. K. PRECISION PARTS LIMITED

25 OTHER CHANGE:
26 REASON: CHANGE OF NAME OF BUSINESS DEBTOR OF LINE 03 OF REGISTRATION
27 /DESCR: NUMBER 911015115000430047
28 :
02/05 IND/TRANSFeree:
03/06 BUS NAME/TRFEE: K. K. PRECISION INDUSTRIES INC.
OCN:
04/07 ADDRESS:
CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
CITY : PROV : POSTAL CODE :
CONS. MV DATE OF NO FIXED
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE
10
11
12
13
14
15
16 NAME : BANK OF MONTREAL, TORONTO CENTRE FLAGSHIP
17 ADDRESS : PO BOX 3 FIRST CDN PLACE MEZZ
CITY : TORONTO PROV : ONT POSTAL CODE : M5X 1A3

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 4 OF 23

SEARCH : BD : KK PRECISION INC.

FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE

01 CAUTION : 01 OF 001 MV SCHED: 19960530 1918 1529 0787

21 REFERENCE FILE NUMBER : 014338278

22 AMEND PAGE: NO PAGE: CHANGE: J OTHER REN YEARS: CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: K.K. PRECISION INDUSTRIES INC.

25 OTHER CHANGE: SUBORDINATION

26 REASON: AGREEMENT DATED AS OF THE 17TH DAY OF MAY, 1996 AMONG BANK OF

27 /DESCR: MONTREAL, ROYNAT INC. AND K.K. PRECISION INDUSTRIES INC.

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :

CONS. MV DATE OF NO FIXED

GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : TORY TORY DESLAURIERS & BINNINGTON

17 ADDRESS : SUITE 3000, AETNA TOWER TD CENTRE

CITY : TORONTO PROV : ON POSTAL CODE : M5K 1N2

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 5 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 19961004 1011 1654 7159
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: CHANGE: B RENEWAL REN YEARS: 5 CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION PARTS LIMITED

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INCL	AMOUNT		
INVTRY				
EQUIP				
ACCTS				
OTHER				

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16 NAME : BANK OF MONTREAL, MAIN OFFICE - FIRST CDN PLACE TR 0002

17 ADDRESS : 100 KING ST W

CITY : TORONTO PROV : ON POSTAL CODE : M5X 1A3

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 6 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 19970217 1122 1654 3020
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION PARTS LIMITED

25 OTHER CHANGE:
26 REASON: AMENDMENT TO BUSINESS DEBTOR ON LINE 3
27 /DESCR:
28 :
02/05 IND/TRANSFEE:
03/06 BUS NAME/TRFEE: K.K. PRECISION INDUSTRIES INC.
OCN:
04/07 ADDRESS:
CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
CITY : PROV : POSTAL CODE :
CONS. MV DATE OF NO FIXED
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE
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16 NAME : BANK OF MONTREAL, MAIN OFFICE - FIRST CDN PLACE TR 0002
17 ADDRESS : 100 KING ST W
CITY : TORONTO PROV : ON POSTAL CODE : M5X 1A3

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 7 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 20010920 1040 1529 1547
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION INDUSTRIES INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INCL	AMOUNT		
INVTRY				
EQUIP				
ACCTS				
OTHER				

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : SUITE 180-13571 COMMERCE PARKWAY

CITY : RICHMOND PROV : BC POSTAL CODE : V6V2L1

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 8 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 20020926 1026 9065 3311
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION INDUSTRIES INC.

25 OTHER CHANGE:
26 REASON: THE DEBTOR NAME RECORDED ON LINE 03 OF REGISTRATION NO. 19970217 112
27 /DESCR: 1654 3020 [K.K. PRECISION INDUSTRIES INC.] HAS CHANGED.
28 :
02/05 IND/TRANSFEE:
03/06 BUS NAME/TRFEE: PRECINDA LTD.
OCN:
04/07 ADDRESS:
CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
CITY : PROV : POSTAL CODE :
CONS. MV DATE OF NO FIXED
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE
10
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16 NAME : BLAKE, CASSELS & GRAYDON LLP [PSM/JMX]
17 ADDRESS : BOX 25, COMMERCE COURT WEST
CITY : TORONTO PROV : ON POSTAL CODE : M5L 1A9

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 9 OF 23

SEARCH : BD : KK PRECISION INC.

FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE

01 CAUTION : 01 OF 002 MV SCHED: 20020926 1702 9065 3343

21 REFERENCE FILE NUMBER : 014338278

22 AMEND PAGE: NO PAGE: X CHANGE: A AMNDMNT REN YEARS: CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: PRECINDA LTD.

25 OTHER CHANGE:

26 REASON: TO AMEND THE DEBTOR ADDRESSES RECORDED ON REFERENCE FILE

27 /DESCR: NO. 014338278.

28 :

02/05 IND/TRANSFeree:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS: 104 OAKDALE ROAD

CITY: TORONTO PROV: ON POSTAL CODE: M3N 1V9

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INVTRY	EQUIP	ACCTS	OTHER
	INCL	AMOUNT		

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16 NAME : BLAKE, CASSELS & GRAYDON LLP [PSM/JMX]

17 ADDRESS : BOX 25, COMMERCE COURT WEST

CITY : TORONTO PROV : ON POSTAL CODE : M5L 1A9

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 10 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 02 OF 002 MV SCHED: 20020926 1702 9065 3343
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: CHANGE: REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME:

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS: 330 OAKDALE ROAD

CITY: TORONTO

PROV: ON

POSTAL CODE: M3N 1W5

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :

PROV :

POSTAL CODE :

CONS.

MV

DATE OF

NO FIXED

GOODS INVTRY EQUIP ACCTS OTHER

INCL

AMOUNT

MATURITY OR

MAT DATE

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16 NAME :

17 ADDRESS :

CITY :

PROV :

POSTAL CODE :

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 11 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 20060901 1454 1530 9133
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION INDUSTRIES INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INCL	AMOUNT		
INVTRY				
EQUIP				
ACCTS				
OTHER				

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 12 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 001 OF 1 MV SCHED: 20080403 1618 9011 0720
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: CHANGE: A AMNDMNT REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: PRECINDA LTD.

25 OTHER CHANGE:
26 REASON: NAME CHANGE TO K. K. PRECISION INC.
27 /DESCR:
28 :
02/05 IND/TRANSFEE:
03/06 BUS NAME/TRFEE:
OCN:
04/07 ADDRESS:
CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
CITY : PROV : POSTAL CODE :
CONS. MV DATE OF NO FIXED
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE
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16 NAME : BANK OF MONTREAL 5193
17 ADDRESS : 100 KING STREET WEST - 7TH
CITY : TORONTO PROV : ON POSTAL CODE : M5X 1A1

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 13 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 001 OF 1 MV SCHED: 20080407 1620 9011 0724
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: CHANGE: A AMNDMNT REN YEARS: CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: PRECINDA LTD.

25 OTHER CHANGE:
26 REASON: NAME CHANGE FROM PRECINDA LTD. TO KK PRECISION INC.
27 /DESCR:
28 :
02/05 IND/TRANSFeree:
03/06 BUS NAME/TRFEE: KK PRECISION INC.
OCN:
04/07 ADDRESS: 104 OAKDALE ROAD
CITY: TORONTO PROV: ON POSTAL CODE: M3N 1V9

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :
CITY : PROV : POSTAL CODE :
CONS. MV DATE OF NO FIXED
GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE
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16 NAME : BANK OF MONTREAL 5193
17 ADDRESS : 100 KING STREET WEST - 7TH FLOOR
CITY : TORONTO PROV : ON POSTAL CODE : M5X 1A1

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 7 ENQUIRY PAGE : 14 OF 23

SEARCH : BD : KK PRECISION INC.
FILE NUMBER 014338278

PAGE TOT REGISTRATION NUM REG TYPE
01 CAUTION : 01 OF 001 MV SCHED: 20110823 1950 1531 8555
21 REFERENCE FILE NUMBER : 014338278
22 AMEND PAGE: NO PAGE: X CHANGE: B RENEWAL REN YEARS: 5 CORR PER:
23 REFERENCE DEBTOR/ IND NAME:
24 TRANSFEROR: BUS NAME: K.K. PRECISION INDUSTRIES INC.

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFeree:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV		MATURITY OR	MAT DATE
GOODS	INCL	AMOUNT		
INVTRY				
EQUIP				
ACCTS				
OTHER				

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16 NAME : CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS : 4126 NORLAND AVENUE

CITY : BURNABY PROV : BC POSTAL CODE : V5G 3S8

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 7 ENQUIRY PAGE : 15 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 672491097 EXPIRY DATE : 26AUG 2018 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20110826 1450 1590 7094 REG TYP: P PPSA REG PERIOD: 7
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.
OCN :
04 ADDRESS : 104 OAKDALE ROAD
CITY : TORONTO PROV: ON POSTAL CODE: M3N 1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

BANK OF MONTREAL
09 ADDRESS : 1 FIRST CANADIAN PLACE, 11TH FLOOR
CITY : TORONTO PROV: ON POSTAL CODE: M5X 1A1
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
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YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: FRASER MILNER CASGRAIN LLP [JHH]
17 ADDRESS : 77 KING ST. WEST, SUITE 400, TD CENTRE
CITY : TORONTO PROV: ON POSTAL CODE: M5K 0A1

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 7 ENQUIRY PAGE : 16 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 672511716 EXPIRY DATE : 29AUG 2018 STATUS :
01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :
REG NUM : 20110829 0947 1590 7134 REG TYP: P PPSA REG PERIOD: 7
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.

OCN :
04 ADDRESS : 104 OAKDALE ROAD
CITY : TORONTO PROV: ON POSTAL CODE: M3N 1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

BMO CAPITAL CORPORATION

09 ADDRESS : 1 FIRST CANADIAN PLACE, 11TH FLOOR

CITY : TORONTO PROV: ON POSTAL CODE: M5X 1A1
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X X X X X
YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: FRASER MILNER CASGRAIN LLP [JHH]

17 ADDRESS : 77 KING ST. WEST, SUITE 400, TD CENTRE

CITY : TORONTO PROV: ON POSTAL CODE: M5K 0A1

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 4 OF 7 ENQUIRY PAGE : 17 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 675158841 EXPIRY DATE : 20DEC 2017 STATUS :
01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :
REG NUM : 20111220 1003 1462 9833 REG TYP: P PPSA REG PERIOD: 6
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.
OCN :
04 ADDRESS : 104 OAKDALE RD
CITY : TORONTO PROV: ON POSTAL CODE: M3N1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

XEROX CANADA LTD
09 ADDRESS : 33 BLOOR ST. E. 3RD FLOOR
CITY : TORONTO PROV: ON POSTAL CODE: M4W3H1.
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X X X
YEAR MAKE MODEL V.I.N.
11
12

GENERAL COLLATERAL DESCRIPTION

13
14
15
16 AGENT: PPSA CANADA INC. - [3992]
17 ADDRESS : 110 SHEPPARD AVE EAST, SUITE 303
CITY : TORONTO PROV: ON POSTAL CODE: M2N6Y8

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 7 ENQUIRY PAGE : 18 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692295615 EXPIRY DATE : 02DEC 2018 STATUS :
01 CAUTION FILING : PAGE : 01 OF 002 MV SCHEDULE ATTACHED :
REG NUM : 20131202 1705 1462 9673 REG TYP: P PPSA REG PERIOD: 5
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.
OCN : 1858281
04 ADDRESS : 104 OAKDALE ROAD
CITY : TORONTO PROV: ON POSTAL CODE: M3N1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :
ORBIA FINANCIAL SERVICES II, LLC
09 ADDRESS : 200 CONNECTICUT AVENUE
CITY : NORWALK PROV: CT POSTAL CODE: 06854
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X
YEAR MAKE MODEL V.I.N.

11
12
GENERAL COLLATERAL DESCRIPTION
13 ALL RIGHT, TITLE AND INTEREST OF DEBTOR IN AND TO THE TRADE ACCOUNT
14 RECEIVABLES [I] WHICH ARE OWING TO DEBTOR BY SIEMENS ENERGY INC.
15 [ACCOUNT DEBTOR], WHETHER NOW EXISTING OR HEREAFTER CREATED ARISING
16 AGENT: ORBIA CORP.
17 ADDRESS : 200 CONNECTICUT AVENUE
CITY : NORWALK PROV: CT POSTAL CODE: 06854

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 5 OF 7 ENQUIRY PAGE : 19 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692295615 EXPIRY DATE : 02DEC 2018 STATUS :
01 CAUTION FILING : PAGE : 02 OF 002 MV SCHEDULE ATTACHED :
REG NUM : 20131202 1705 1462 9673 REG TYP: P PPSA REG PERIOD: 5
02 IND DOB : IND NAME:
03 BUS NAME:
OCN :
04 ADDRESS :
CITY : PROV: POSTAL CODE:
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS :
CITY : PROV: POSTAL CODE:
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10
11 YEAR MAKE MODEL V.I.N.
12

GENERAL COLLATERAL DESCRIPTION

13 OUT OF DEBTOR'S SALE AND DELIVERY OF GOODS AND/OR SERVICES TO THE
14 ACCOUNT DEBTOR, AND [II] WHICH HAVE ALREADY BEEN PURCHASED FROM THE
15 DEBTOR BY THE SECURED PARTY IN EXCHANGE FOR NON-RECOURSE CASH.
16 AGENT: ORBIAN CORP.
17 ADDRESS : 200 CONNECTICUT AVENUE
CITY : NORWALK PROV: CT POSTAL CODE: 06854

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 6 OF 7 ENQUIRY PAGE : 20 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692595504 EXPIRY DATE : 13DEC 2017 STATUS :
01 CAUTION FILING : PAGE : 001 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 20131213 1543 1590 3119 REG TYP: P PPSA REG PERIOD: 4
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.
OCN :
04 ADDRESS : 104 OAKDALE ROAD
CITY : TORONTO PROV: ON POSTAL CODE: M3N 1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

RIVER VI, L.P.

09 ADDRESS : 1640 REPUBLIC CENTRE, 633 CHESTNUT

CITY : CHATTANOOGA PROV: TN POSTAL CODE: 37450
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X X X X X
YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

16 AGENT: HEENAN BLAIKIE LLP [R. DAS/P. COOK/065201-0004]

17 ADDRESS : SUITE 2900 - 333 BAY STREET

CITY : TORONTO PROV: ON POSTAL CODE: M5H 2T4

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 6 OF 7 ENQUIRY PAGE : 21 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692595504 EXPIRY DATE : 13DEC 2017 STATUS :
01 CAUTION FILING : PAGE : 002 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 20131213 1543 1590 3119 REG TYP: REG PERIOD:
02 IND DOB : IND NAME:
03 BUS NAME:
OCN :
04 ADDRESS :
CITY : PROV: POSTAL CODE:
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS : STREET
CITY : PROV: POSTAL CODE:
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10
11 YEAR MAKE MODEL V.I.N.
12
13 GENERAL COLLATERAL DESCRIPTION
14
15
16 AGENT:
17 ADDRESS :
CITY : PROV: POSTAL CODE:

END OF FAMILY

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 7 OF 7 ENQUIRY PAGE : 22 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692595513 EXPIRY DATE : 13DEC 2017 STATUS :
01 CAUTION FILING : PAGE : 001 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 20131213 1544 1590 3120 REG TYP: P PPSA REG PERIOD: 4
02 IND DOB : IND NAME:
03 BUS NAME: KK PRECISION INC.
OCN :
04 ADDRESS : 104 OAKDALE ROAD
CITY : TORONTO PROV: ON POSTAL CODE: M3N 1V9
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

RIVER VI, L.P.

09 ADDRESS : 1640 REPUBLIC CENTRE, 633 CHESTNUT

CITY : CHATTANOOGA PROV: TN POSTAL CODE: 37450
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10 X X X X X
YEAR MAKE MODEL V.I.N.

11

12

GENERAL COLLATERAL DESCRIPTION

13

14

15

16 AGENT: HEENAN BLAIKIE LLP [R. DAS/P. COOK/065201-0004]

17 ADDRESS : SUITE 2900 - 333 BAY STREET

CITY : TORONTO PROV: ON POSTAL CODE: M5H 2T4

CONTINUED

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

MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR
CONDUCTED ON: KK PRECISION INC.
FILE CURRENCY: May 5, 2014

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 7 OF 7 ENQUIRY PAGE : 23 OF 23

SEARCH : BD : KK PRECISION INC.

00 FILE NUMBER : 692595513 EXPIRY DATE : 13DEC 2017 STATUS :
01 CAUTION FILING : PAGE : 002 OF 2 MV SCHEDULE ATTACHED :
REG NUM : 20131213 1544 1590 3120 REG TYP: REG PERIOD:
02 IND DOB : IND NAME:
03 BUS NAME:
OCN :
04 ADDRESS :
CITY : PROV: POSTAL CODE:
05 IND DOB : IND NAME:
06 BUS NAME:
OCN :
07 ADDRESS :
CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

09 ADDRESS : STREET
CITY : PROV: POSTAL CODE:
CONS. MV DATE OF OR NO FIXED
GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE
10
11 YEAR MAKE MODEL V.I.N.
12
13 GENERAL COLLATERAL DESCRIPTION
14
15
16 AGENT:
17 ADDRESS :
CITY : PROV: POSTAL CODE:
LAST SCREEN

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

TAB H

Exhibit "H" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.



Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

Jesse Gill, Vice President
104 Oakdale Acquisition Corp.
2 Bloor Street West, Suite 3400
Toronto, ON M4W 3E2

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

cc: Stuart English, McMillan LLP

May 1, 2014

Dear George,

As you are aware, KK Precision Inc. (the "Tenant," "you" or "your") has been in default on its obligations as are contained the lease between the Tenant and 104 Oakdale Acquisition Corp. (the "Landlord," "us," "we" or "our") dated September 1, 2011 and amended on February 1, 2013 (together, the "Lease"; capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Lease), including, but not limited to, missed and late payments to the Landlord. We confirm that we provided notice of default numerous times verbally as well as in writing on November 1, 2013, and that all cure periods provided for in the Lease have now expired. Further, the Lease expired as of April 30, 2014, after which date the Tenant was to have vacated the property and all outstanding payments due under the Lease were to have been made.

On January 21, 2014 we confirmed in writing, and we reiterate now, that although we have refrained from exercising certain right and remedies available to us under the Lease in respect of your default, we reserve all such rights and remedies thereunder, except to the extent expressly amended by your agreement to the terms set out below (and subject to due performance of such agreement, your tenancy shall be in good standing and, provided the Leased Premises have been vacated and surrendered in the Return State (as defined below) by the Termination Date, no other amounts will be owed by either the Tenant to the Landlord or the Landlord to the Tenant (other than the Landlord's return of any unused portion of the Security Deposit (as defined below))).

Notwithstanding the foregoing, and without prejudice to any rights available to the Landlord in the event you do not comply with all of the terms set out in the Lease Agreements (as defined below), the Landlord agrees to extend the term of the Lease on the same terms and with the same obligations on the Tenant and Landlord as in the Lease, including (without limitation) the same Rent (and for clarity, the Base Rent will be \$16,000 per month plus HST) until September 30, 2014, or such date as otherwise agreed to by the parties in writing (the "Termination Date"), provided:

- (a) the Landlord is immediately paid the sum of \$122,974.10 (the "Advance Rent"), being the sum of the Rent owing under the Lease (five (5) months of Base Rent and HST, and including five (5) months of estimated of property tax (\$5,514.82 per month) and utility payments (\$1,000 per month), but excluding interest on missed payments) through the Termination Date;
- (b) the Tenant hereby agrees to completely vacate and surrender the Leased Premises in accordance with the Lease and this letter agreement (together the "Lease Agreements") no later than the Termination Date, except that (x) the Tenant shall leave in place as part of the

Leased Premises owned by the Landlord those items as outlined in subclause (i) of Section 2.3 of the Lease (which for clarity shall remain the property of the Landlord) and (y) there shall not be a maximum on the Foundation and Floor Costs in subclause (ii) of Section 2.3 of the Lease;

(c) the Tenant will advance to us a \$100,000 security deposit (the "Security Deposit"), which will be dealt with as follows:

- i. the Security Deposit will be used by the Landlord to return the Leased Premises to the same state of repair and cleanliness as they were in at the commencement of the Term, reasonable wear and tear excepted, (the "Return State"), consistent with the Tenant's obligations under the Lease Agreements, in the event the Tenant does not restore the Leased Premises to the Return State by the Termination Date.
- ii. any application of the Security Deposit shall be in accordance with the terms of the Lease Agreements and will be against actual repair, restoration, cleaning or other similar invoices from third-party suppliers, and the Landlord will promptly provide copies to the Tenant and the court-appointed monitor (if any) of such invoices;
- iii. the Landlord will promptly return any unused portion of the Security Deposit to the Tenant following the Tenant's vacation and surrender of the Leased Premises and satisfaction of the Tenant's obligations under the Lease Agreements and the successful completion of any required repair, restoration or cleaning work;
- iv. the Tenant's advancement of the Security Deposit does not in any way limit any of the Tenant's obligations under the Lease Agreements; the Tenant hereby agrees that if the Security Deposit not sufficient to satisfy such obligations, then the Tenant will pay for any other costs required to return the Leased Premises to the Return State consistent with the Tenant's obligations under the Lease Agreements and for any other costs in accordance with the Lease Agreements;
- v. in addition to anything else contained herein or in the Lease Agreements and without limiting any other rights of the Landlord under the Lease Agreements, should the Leased Premises not be vacated and surrendered by the Termination Date in the Return State, the Security Deposit may be retained by the Landlord to satisfy its lost rental income during the period required to restore the Leased Premises to the Return State and vacant (due to the property not being saleable or rentable in the desired state), assuming the same Rent per this letter agreement (a full month's Rent being payable in respect of any part of a month during such period)
- vi. for clarity, the Tenant shall remain responsible for all of its obligations contained in the Lease Agreements and the Security Deposit is not a substitute or an exclusive remedy for such obligations; and
- vii. notwithstanding anything else contained herein or in the Lease Agreements, and without limiting any rights of the Landlord under the Lease Agreements, if the Leased Premises are not vacated and surrendered by the Tenant by the Termination Date, then unless otherwise agreed to in writing (signed) by both the Landlord and the Tenant, the Tenant hereby agrees and gives its irrevocable consent to the Landlord that the Landlord may evict the Tenant without notice at any time after the Termination Date;

(d) without limiting any obligations of the Tenant in the Lease Agreements, the Tenant hereby agrees to use due care and commercially reasonable efforts to minimize any damage to the Leased Premises and to minimize the amount of repair work required to return the Leased Premises to the Return State in both its ongoing operations and the removal of any of the Tenant's property from the Leased Premises;

- (e) the Tenant will prepay all required insurance it is required to maintain in accordance with the Lease (including, without limitation, as outlined in Article 7 of the Lease) through the Termination Date and will deliver evidence to our satisfaction of such prepayment (the "Insurance Prepayment Evidence") to us, within 7 days of execution of this letter agreement (failing which, the Tenant will be in default and the Landlord may, in addition to other remedies available to us and without limiting your obligations under the Lease Agreements, at our option, terminate the Lease or make such insurance prepayments on the Tenant's behalf and apply the Security Deposit to such prepayments);
- (f) notwithstanding the foregoing or anything else in the Lease Agreements, the Landlord may, at its sole option and with no notice required, terminate the Lease at any time on or after the signing, by or on behalf of the Tenant or its creditors, of a binding agreement to sell the shares of the Tenant or other ownership interest in the Tenant or all or substantially all of the Tenant's assets for the purpose of continuing the business as a going concern; provided that the Landlord's other rights under the Lease Agreements will not be diminished by such termination;
- (g) for clarity, notwithstanding anything else contained in the Lease Agreements, the Landlord may sell the Leased Premises at any time prior to or following the termination of the Lease, but if prior to the Termination Date (or if the Lease is terminated earlier, such date of termination), any purchaser or transferee from or of the Landlord shall have become by written agreement bound to perform the covenants of the Landlord under the Lease Agreements (in which case, the Landlord shall without further agreement be freed and relieved of any liability upon the covenants and obligations under the Lease Agreements); and
- (h) you have executed and delivered the Mutual Termination & Release attached hereto.

Please respond promptly confirming your acceptance of this letter agreement and agreement to the terms contained herein by signing and returning a copy of this letter. Additionally, please send the Advance Rent, the Security Deposit and the executed Mutual Termination & Release to me promptly. This letter agreement will be effective immediately upon, but only upon, receipt of by us of your signature to this letter agreement, the Advance Rent, the Security Deposit and the executed Mutual Termination & Release. I can be reached any time at 917.969.3553 or jg@terranovapartners.com.

Sincerely,



Jesse Gill

Vice President, 104 Oakdale Acquisition Corp.

Agreed to effective this 1st day of May, 2014.

KK PRECISION INC.

Per: _____

Name: George Koulikian

Title: President

I have authority to bind the Corporation.

TAB I

Exhibit "I" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.

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

Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

AIRD & BERLIS LLP

Barristers and Solicitors

Steven L. Graff

Direct: 416.865.7726

Email: sgraff@airdberlis.com

December 30, 2013

VIA E-MAIL

KK Precision Inc.
104 Oakdale Road
Toronto, Ontario M3N 1V9

Attention: George Koulakian, President

Dear Sir:

Re: Bank of Montreal (the "Senior Lender") and BMO Capital Partners (formerly BMO Capital Corporation) (the "Subordinate Lender" and, together with the Senior Lender, the "Secured Lenders") loans to KK Precision Inc. (the "Debtor")

We are the lawyers for the Secured Lenders in connection with its lending arrangements with the Debtor. The Senior Lender has made certain credit facilities (the "**Senior Credit Facilities**") available to the Debtor pursuant to a credit agreement among the Senior Lender and the Debtor dated September 1, 2011 (as amended, supplemented, restated or replaced, from time to time, the "**Senior Credit Agreement**"). The Subordinate Lender has made certain credit facilities (the "**Subordinate Credit Facilities**") and, together with the Senior Credit Facilities, the "**Credit Facilities**") available to the Debtor pursuant to a credit agreement among the Subordinate Lender and the Debtor dated September 1, 2011 (as amended, supplemented, restated or replaced, from time to time, the "**Subordinate Credit Agreement**" and, together with the Senior Credit Agreement, the "**Credit Agreements**").

The following amounts are owing by the Debtor to the Secured Lenders for principal and interest pursuant to the Credit Agreements as on December 27, 2013:

Senior Credit Facilities (Account No. ODL 2475-1006-557)

Outstanding loan: \$1,349,920.70

Interest to date: \$5,247.12

Total outstanding: \$1,355,167.82

Per Diem: \$194.17

Senior Credit Facilities (Account No. DMNR 2459-6999-578)

Outstanding loan: \$5,670,000.00

Interest to date: \$21,204.25

Total outstanding:	\$5,691,204.25
Per Diem:	\$815.55
Corporate MasterCard	
Total outstanding:	\$1,030.37
Subordinate Credit Facilities	
Outstanding loan:	\$4,726,425.41
Interest to date:	\$48,818.15
Total outstanding:	\$4,775,243.56
TOTAL INDEBTEDNESS:	\$11,822,646.00

Certain Events of Default (as defined in the Credit Agreements) have occurred, and the Secured Lenders are entitled to make demand for repayment of the Indebtedness (as defined hereafter). On behalf of the Secured Lenders, we hereby make formal demand for payment of \$11,822,646.00, together with interest and all costs and expenses (including legal expenses) incurred by the Secured Lenders (collectively, the “**Indebtedness**”). Payment is required to be made immediately. Interest continues to accrue on the Indebtedness at the rates established by the Credit Agreements.

The Indebtedness is secured by, *inter alia*,

- (a) General Security and Pledge Agreement, made by the Debtor in favour of the Senior Lender dated September 1, 2011;
- (b) *Bank Act* Security, made by a predecessor of the Debtor in favour of the Senior Lender, consisting of:
 - (i) Notice of Intention under Section 427 of the *Bank Act* dated on August 30, 2011 and filed on August 31, 2011, as registration number 01267230;
 - (ii) Agreements as to Loans and Advances and Security therefor dated September 1, 2011;
 - (iii) Applications for Credit and Promise to Give Bills of Lading, Warehouse Receipts or Security under Section 427 of the *Bank Act* dated September 1, 2011; and
 - (iv) Security under sec. 427(1) of the *Bank Act* (Security on all property of specified kinds) dated September 1, 2011;
- (c) *Bank Act* Security, made by the Debtor in favour of the Senior Lender, consisting of:

- (i) Notice of Intention under Section 427 of the *Bank Act* dated and filed on September 2, 2011, as registration number 01267304;
 - (ii) Agreements as to Loans and Advances and Security therefor dated September 3, 2011;
 - (iii) Applications for Credit and Promise to Give Bills of Lading, Warehouse Receipts or Security under Section 427 of the *Bank Act* dated September 3, 2011; and
 - (iv) Security under sec. 427(1) of the *Bank Act* (Security on all property of specified kinds) dated September 3, 2011;
- (d) Assignment of Material Agreements made by the Debtor in favour of the Senior Lender, dated September 1, 2011;
 - (e) General Security and Pledge Agreement, made by the Debtor in favour of the Subordinate Lender, dated September 1, 2011; and
 - (f) Assignment of Material Agreements made by the Debtor in favour of the Subordinate Lender, dated September 1, 2011,

(collectively, the “**Security**”).

The Security grants the Secured Lenders a security interest in any and all of the Debtor’s property, assets and undertakings.

If payment of the Indebtedness is not received immediately, the Secured Lenders shall take whatever steps they may consider necessary or appropriate to recover the amounts owing to them, including, without limitation, the appointment of an interim receiver, receiver and/or receiver and manager of the Debtor, in which case the Secured Lenders will also be seeking all costs associated with doing so.

On behalf of the Secured Lenders, we enclose a Notice of Intention to Enforce Security delivered pursuant to the *Bankruptcy and Insolvency Act*, subsection 244(1) (the “**BIA Notice**”).

The Secured Lenders reserves their rights to take proceedings within the ten (10) day period set out in the BIA Notice, if circumstances warrant such proceedings.

Please govern yourself accordingly.

December 30, 2013
Page 4

AIRD & BERLIS LLP

A handwritten signature in black ink, appearing to be 'SLG', with a large loop at the end.

Steven L. Graff
SLG/bk
Encl.

cc: Christian Skogen, Bank of Montreal
Robert A. Kiefer, Bank of Montreal

16097234.3

NOTICE OF INTENTION TO ENFORCE SECURITY
(Bankruptcy and Insolvency Act, Subsection 244(1))

Delivered By E-mail

TO: **KK PRECISION INC.**
104 Oakdale Road
Toronto, Ontario M3N 1V9

insolvent company / person

TAKE NOTICE that:

1. Bank of Montreal (the “**Senior Lender**”), a senior secured creditor, intends to enforce its security on the property, assets and undertaking of KK Precision Inc. (the “**Debtor**”), including, without limiting the generality of the foregoing, all of the intangibles, accounts, proceeds, books and records, equipment, inventory, leaseholds and real estate of the Debtor. BMO Capital Partners (formerly BMO Capital Corporation) (the “**Subordinate Lender**” and, together with the Senior Lender, the “**Secured Lenders**”), a subordinate secured creditor, intends to enforce its security on the property, assets and undertaking of the Debtor including, without limiting the generality of the foregoing, all of the intangibles, accounts, proceeds, books and records, equipment, inventory, leaseholds and real estate of the Debtor.
2. The indebtedness is secured by, among other things,
 - (a) General Security and Pledge Agreement, made by the Debtor in favour of the Senior Lender dated September 1, 2011;
 - (b) *Bank Act* Security, made by a predecessor of the Debtor in favour of the Senior Lender, consisting of:
 - (i) Notice of Intention under Section 427 of the *Bank Act* dated on August 30, 2011 and filed on August 31, 2011, as registration number 01267230;
 - (ii) Agreements as to Loans and Advances and Security therefor dated September 1, 2011;
 - (iii) Applications for Credit and Promise to Give Bills of Lading, Warehouse Receipts or Security under Section 427 of the *Bank Act* dated September 1, 2011; and
 - (iv) Security under sec. 427(1) of the *Bank Act* (Security on all property of specified kinds) dated September 1, 2011;
 - (c) *Bank Act* Security, made by the Debtor in favour of the Senior Lender, consisting of:
 - (i) Notice of Intention under Section 427 of the *Bank Act* dated and filed on September 2, 2011, as registration number 01267304;

- (ii) Agreements as to Loans and Advances and Security therefor dated September 3, 2011;
- (iii) Applications for Credit and Promise to Give Bills of Lading, Warehouse Receipts or Security under Section 427 of the *Bank Act* dated September 3, 2011; and
- (iv) Security under sec. 427(1) of the *Bank Act* (Security on all property of specified kinds) dated September 3, 2011;
- (d) Assignment of Material Agreements made by the Debtor in favour of the Senior Lender, dated September 1, 2011;
- (e) General Security and Pledge Agreement, made by the Debtor in favour of the Subordinate Lender, dated September 1, 2011; and
- (f) Assignment of Material Agreements made by the Debtor in favour of the Subordinate Lender, dated September 1, 2011.

(collectively, the "Security")

- 3. As at December 27, 2013, the total amount of the indebtedness secured by the Security is the sum of \$11,822,646.00 in principal and interest, plus accruing interest and recovery costs of the Secured Lenders.
- 4. The Secured Lenders will not have the right to enforce the Security until after the expiry of the ten (10) day period following the sending of this notice, unless the insolvent company/person consents to an earlier enforcement.

DATED at Toronto this 30th day of December, 2013.

Bank of Montreal and BMO Capital Partners
by their solicitors, **Aird & Berlis LLP**



Per: _____
Steven L. Graff

Brookfield Place, Suite 1800
181 Bay Street, Box 754
Toronto, ON M5J 2T9
Tel: 416-863-1500
Fax: 416-863-1515

Note: This Notice is given for precautionary purposes only and there is no acknowledgement that any person to whom this Notice is delivered is insolvent, or that the provisions of the *Bankruptcy and Insolvency Act* apply to the enforcement of this security.

16097235.1

TAB J

Exhibit "J" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.

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

Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

Court File No.:

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. (the "Applicant")**

CONSENT

Pursuant to the *Companies' Creditors Arrangement Act*, RICHTER ADVISORY GROUP INC./RICHTER GROUPE COUNSEIL INC., a licensed trustee, hereby consents to act as monitor of KK Precision Inc.

**RICHTER ADVISORY GROUP INC./
RICHTER GROUPE COUNSEIL INC.**



Name: *ANDREW ADESSICK*

Title: *Partner*

TAB K

Exhibit "K" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.

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

Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

ACCOMMODATION AGREEMENT

THIS AGREEMENT is made as of the 26th day of May, 2014.

BETWEEN:

ROLLS-ROYCE CANADA LIMITED
(hereinafter called “**Rolls-Royce Canada**”)

OF THE FIRST PART

- and -

**ROLLS-ROYCE POWER ENGINEERING
PLC.**

(hereinafter called “**Rolls-Royce Naval**” and,
together with Rolls Royce Canada, the
“**Customer**”)

OF THE SECOND PART

- and -

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

OF THE THIRD PART

- and -

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

OF THE FOURTH 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 FIFTH PART

- and -

**RICHTER GROUPE CONSEIL
INC./RICHTER ADVISORY GROUP INC.**
(hereinafter called the “**Monitor**”)

OF THE SIXTH PART

WHEREAS, pursuant to (i) a supply agreement dated as of January 31, 2007 between KKP and Rolls-Royce Canada; and (ii) a supply agreement dated August 25, 2009 between KKP and Rolls-Royce Naval as such agreements were amended from time to time (collectively, the “**Supply Agreements**”), KKP agreed to manufacture certain component parts or assembled goods for the Customer (the “**Component Parts**”);

AND WHEREAS the Component Parts manufactured by KKP for the Customer have been manufactured using, among other things, tooling owned by KKP and tooling owned by the Customer (collectively, the “**Tooling**”);

AND WHEREAS KKP intends to shortly seek protection by an order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) to be made pursuant to the *Companies’ Creditors Arrangement Act* to permit an orderly wind-down or sale of its business (the “**CCAA Proceedings**”), and to seek the appointment of the Monitor in the CCAA Proceedings;

AND WHEREAS KKP shall continue the supply of Component Parts during the Term (as defined below) in accordance with the pricing and production schedule set out on **Schedule “A”** to this Agreement, or as it may be amended in writing by mutual agreement of the parties and subject to the rights of Customer to exercise its priority over the manufacturing capacity of KKP pursuant to Section 3(e) in order to enable the Customer to re-source supply of the Component Parts without interruption in supply;

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 Lender have agreed to provide certain accommodations to the Customer in order to continue the supply of Component Parts to the Customer during the Term;

The Preamble shall form an integral part of this Agreement.

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 agree as follows:

1. **Term.** The term of this Agreement will commence upon the date which all Conditions Precedent are satisfied or waived in accordance with Section 7 (the “**Effective Date**”) and will continue for ninety (90) days after the Effective Date (the “**Initial Term**”). Subject to the availability of the premises located at 104 Oakdale Road, Toronto, Ontario (the “**Premises**”), the parties may, upon written agreement among them extend the term hereof (the “**Extension Term**”), on condition the Customer has not caused an Event of

Default that is continuing beyond the cure period provided under this Agreement and all amounts owing by the Customer to KKP in accordance with Section 2(c) having been paid in full. For purposes of this Agreement, the “**Term**” shall mean the date beginning on the Effective Date and ending on the earlier of:

- (a) termination of this Agreement pursuant to Section 9;
- (b) if the Initial Term is not extended, the date that falls ninety (90) days after the Effective Date; or
- (c) if the Extension Term is exercised, the date agreed to for same.

Upon the expiry of the Term in accordance with the foregoing, if any WIP Parts (as defined in Subsection 2(c)(vi) below) remain unfinished, KKP shall have the option, but not the obligation, to complete any such WIP Parts by September 30, 2014 (the “**Completion Option**”).

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. 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 or other goods or services supplied by KKP, entering into or engaging in any discussions or negotiations with any third parties regarding the production of the Component Parts or from purchasing sample or prototype Component Parts and tooling from such third parties in connection with such discussions.
- (b) **Acknowledgement of 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 “B”** hereto (the “**Existing Accounts Receivable**”).
- (c) **Payments.** The Customer shall make the following payments to KKP or, where specified, to the Monitor, by bank draft or wire transfer:
 - (i) on the first Friday of the week following execution of this Agreement, payment in the amount of the Existing Accounts Receivable subject to remittance upon execution of this Agreement of any portion of the aged receivables identified in Schedule “B” as being available for immediate payment to KKP;
 - (ii) on the first Friday of the week following the Effective Date, \$411,616 to the Monitor, in trust, to pay the employee retention bonuses (to be paid if and when those obligations fall due) and accrued vacation pay, both of which are detailed in **Schedule “C”** (the “**KERP Payment**”), subject to approval by the Court in, or on the date of, the Initial Order, provided that, at the end of the Term (subject to, if exercised, the Completion Option), any portion of the KERP Payment which is not required to satisfy

obligations to pay a given employee's retention bonus shall be returned to the Customer within ten (10) business days of the end of the Term (subject to, if exercised, the Completion Option). The parties further undertake to use their best efforts to ensure that the Initial Order shall recognise that the Customer is not assuming any obligations of KKP toward its employees, whether statutory or contractual, by reason of the funding provided in this Subsection 2(c)(ii) by requesting the Court make an order to this effect as part of the initial Application Record in any CCAA Proceedings;

- (iii) on the first Friday of the week following the Effective Date, the IP Purchase Price (as defined below) to the Monitor, in trust, in accordance with Subsection 3(c), subject to the right of the Customer to require the immediate delivery, in whole or in part, of all Intellectual Property listed in Schedule E. The Monitor shall retain the IP Purchase Price in trust until completion of the production schedule set out in Schedule "A" of this Agreement whether through termination by reason of the occurrence of an Event of Default; expiry of the Term or, if exercised, the Completion Option, and shall pay to KKP the percentage of the IP Purchase Price calculated by dividing the total price payable for the Components Parts delivered to the Customer by the total value of the production scheduled under this Agreement, as may be adjusted to account for any amendment by mutual agreement of the parties. Any portion of the IP Purchase Price which is not required to be paid to KKP under this Agreement shall be returned to the Customer within ten (10) business days of any remittance of funds to KKP;
- (iv) on the first Friday of the week following the Effective Date, the Cancellation Reimbursement Payment (as defined below);
- (v) as and when required as determined by KKP, the Customer and the Monitor, and subject to Subsection 2(f), payment to the Monitor, in trust, of any amounts needed to satisfy KKP accounts payable to suppliers of raw materials used in the production of Component Parts ("**Raw Materials**"), where such accounts payable accrued prior to the Commencement of the CCAA Proceedings, where further supply of such Raw Materials is critical to the satisfaction of KKP's production obligations under this Agreement and where the relevant suppliers require such accounts payable to be satisfied as a condition to further supply ("**Hold-up Payments**"), and the Monitor shall distribute such amounts as directed by the Customer;
- (vi) on the first Friday of the week following the Effective Date, payment to the Monitor, in trust, to be held in a segregated account in accordance with and subject to Subsection 2(c)(viii) below, equal to the total final purchase price for all work-in-progress related to Component Parts set out in Schedule "A" of this Agreement ("**WIP Parts**") in KKP's possession multiplied by the percentage (as at the Effective Date) that such WIP Parts

are complete, as set out in a completion report (a “**Completion Report**”) to be prepared by KKP, approved by the Monitor and provided to the Customer on the Effective Date;

- (vii) on the Friday of each week of the Term (subject to, if exercised, the Completion Option):
 - (1) payment to the Monitor, in trust, to be held in a segregated account in accordance with and subject to Subsection 2(c)(viii) below, equal to the total final purchase price for WIP Parts in KKP’s possession multiplied by the percentage (as of the Wednesday of the prior week) that such WIP Parts are complete, less the amount of any payments already made for such WIP Parts under Subsection 2(c)(vi) or already made pursuant to this Subsection 2(c)(vii), and less an amount equal to the Customer’s cost of any Raw Materials supplied pursuant to Subsection 2(f) and incorporated into such WIP Parts, all as set out in a weekly Completion Report to be prepared by KKP, approved by the Monitor and provided to the Customer on the Friday of the prior week; and
 - (2) subject to any Allowed Setoffs and Materials Setoffs, each as defined below, payment to KKP from the funds held in trust by the Monitor in accordance with and subject to Subsection 2(c)(viii) below equal to the final purchase price of all finished goods Component Parts delivered during the prior week, inclusive of any amounts already paid for such Component Parts under Subsections 2(c)(vi) or Subsection 2(c)(vii), and less an amount equal to the Customer’s cost of any Raw Materials supplied pursuant to Subsection 2(f) and incorporated into such Component Parts.
 - (3)
- (viii) For greater certainty, any payments on account of WIP Parts made to the Monitor, in trust under this Agreement, and held in a segregated account pursuant to Subsections 2(c)(vi) or 2(c)(vii) above, shall be paid to KKP on the date such WIP Parts are completed and proof of delivery is provided to the Monitor that such Component Parts have been delivered to the Customer with all risk of loss or damage to the Component Parts passing to RR upon said delivery as per Free Carrier (FCA) (Incoterms 2010) at KKP’s location. Upon termination by reason of the occurrence of an Event of Default, expiry of the Term or, if exercised, the Completion Option, and subject to any additional payment required to be made to KKP pursuant to Subsection 2(c)(ix)(1) below further to the purchase by the Customer of any unfinished Component Parts, the Monitor shall return to the Customer, within ten (10) business days of said termination, any amounts held in trust pursuant to Subsections 2(c)(vi) or 2(c)(vii) insofar

as these amounts have not been previously paid to KKP hereunder for the completion and delivery of finished goods Component Parts;

- (ix) upon the earliest to occur of the expiration of the Term (subject to, if exercised, the Completion Option) or termination by reason of the occurrence of an Event of Default (the “**Inventory Purchase Trigger Date**”):
 - (1) subject to any Allowed Setoffs and Materials Setoffs, payment upon delivery of any WIP Parts that the Customer may at its discretion require KKP to deliver as unfinished Component Parts to the extent of any costs reasonably and directly incurred by KKP in the purchase or fabrication of such unfinished goods. KKP shall have no right to require the Customer to purchase any WIP upon the Inventory Purchase Trigger Date howsoever the termination is caused;
 - (2) subject to any Allowed Setoffs and Materials Setoffs, each as defined below, and delivery to the Customer, payment to KKP equal to the final purchase price of all unshipped finished goods Component Parts produced in accordance with the Customer’s production schedule detailed in Schedule “A” of this Agreement and in KKP’s possession upon the Inventory Purchase Trigger Date and all such Component Parts already delivered during that week or the week prior, less any amounts already paid for such same Component Parts under Subsections 2(c)(vi) or 2(c)(vii) assuming their release to KKP in accordance with Subsection 2(c)(viii), and less an amount equal to the Customer’s cost of any Raw Materials supplied pursuant to Subsection 2(f) and incorporated into such Component Parts; and
 - (3) upon delivery to the Customer, payment for the remaining Raw Materials that are Usable and in a Merchantable condition at one hundred percent (100%) of KKP’s actual invoiced cost of such Raw Materials less an amount equal to any payments previously made by the Customer pursuant to Subsection 2(c)(v) for such remaining Raw Materials, as further reflected in Subsection 2(g)(iii) below on condition that such Raw Materials have not been altered, processed or used in the fabrication of Component Parts.
- (d) **Pricing.** Each Component Part will be supplied to the Customer by KKP at one hundred and fifty percent (150%) of the historic price reflected in the Supply Agreements as evidenced by the breakdown of the total price payable for each Component Part detailed in the Customer’s production schedule attached as Schedule “A” 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.

(e) **Limitations on Setoffs.**

- (i) Except for Allowed Setoffs and Material Setoffs, the Customer agrees, in respect of KKP only: (1) 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 (2) 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 (A) 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 (B) 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(e), shall survive any or all of the termination of this Agreement, the expiry of the Term (subject to, if exercised, the Completion Option) and the occurrence of an Event of Default.
- (iii) For purposes of this Agreement:
 - (1) **“Allowed Setoffs”** means setoffs, recoupments or deductions only for: (A) defective or non-conforming Component Parts; (B) Component Parts that fail to meet contracted quality standards under the Supply Agreements; (C) unordered or unreleased Component Parts returned by the Customer to KKP; (4) short shipments or mis-shipments; (D) 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 (E) incorrect or improper invoices, mispricing, duplicate payments or billing errors.
 - (2) **“Material Setoffs”** means:
 - (A) 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

- (B) 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:

- (C) 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 one (1) business day after written notice to KKP and the Monitor if either fails to respond during that time period; and
- (D) 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 pursuant 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 Raw Materials or Component Parts.

- (f) **Raw Materials Supply.** If KKP, the Customer and the Monitor agree that it is most economical to do so in order to mitigate demands for Hold-up Payments, the Customer shall purchase 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.

- (g) **Raw Materials Purchase.**

- (i) In accordance with Subsection 2(c)(ix)(2) of this Agreement, within five (5) business days following a joint count of Raw Materials inventory, such

count to be conducted by the Customer, KKP and the Monitor after the Inventory Purchase Trigger Date, the Customer shall purchase from KKP all of KKP's remaining Raw Materials that are Usable and in a Merchantable condition (as those terms are defined below).

(ii) For the purposes of this Agreement:

(1) the term "**Merchantable**" means Raw Materials that can: (i) pass without objection in the trade under the contract description; (ii) in the case of fungible goods, are of good and merchantable quality within the description; (iii) are fit for the ordinary purposes for which goods of that description are used; (iv) run, within the variations permitted by the applicable agreement, of even kind, quality and quantity within each unit and among all units involved; (v) are adequately contained, packaged, and labelled consistent with packaging and labelling that was previously acceptable to the Customer; (vi) conform to the promise or affirmations of fact made on the container or label if any; and (vii) are otherwise in conformance with all applicable Supply Agreements terms, conditions and specifications; and

(2) the term "**Usable**" means Raw Materials that are not obsolete and are usable in the production of the Component Parts,

and the determination of whether Raw Materials are Usable and Merchantable will be determined at the Final Inventory Count.

(iii) The Customer will purchase the remaining Raw Materials that are Usable and in a Merchantable condition at one hundred percent (100%) of KKP's actual invoiced cost of such Raw Materials less an amount equal to any payments previously made by the Customer pursuant to Subsection 2(c)(v) for such remaining Raw Materials. For greater certainty, KKP's actual invoiced cost will reflect (and be net of) the cost of any such remaining Raw Materials supplied by the Customer pursuant to Subsection 2(f).

(h) **Sales Tax.** The Customer will be liable for any Harmonized Sales Tax ("HST") in connection with this Agreement which are chargeable to a buyer of goods or services. KKP will add such taxes to its invoices to 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, subject to, if exercised, the Completion Option, to manufacture and deliver Component Parts in accordance

with the terms of the Supply Agreements but subject to 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 Schedule "A"). 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) **Access.** KKP agrees that the Customer and its designee(s) (including, without limitation, 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 books and records, operations and the Premises as they relate to the Component Parts for the purposes of:
- (i) inspecting all KKP Tooling and Customer Tooling (each as defined below) involved with production of Component Parts, (including all construction, maintenance and performance records (in any form) possessed by KKP in respect of such Tooling);
 - (ii) monitoring and assisting with production of Component Parts;
 - (iii) inspecting current production and manufacturing processes;
 - (iv) meeting with KKP's representatives;
 - (v) monitoring KKP's compliance with the terms of this Agreement and any other agreements and contracts between KKP and the Customer including, but not limited to, the Supply Agreements; and
 - (vi) confirming the weekly Completion Reports (which confirmation will not delay any payments due pursuant to Subsections 2(c)(vi) or 2(c)(vii)).

The foregoing shall not entitle the Customer to have access to other books, records and/or other financial information of KKP other than with regard to any information pertaining to the funding of the production of Component Parts including, more particularly, the progressive disbursement by KKP of the KERP Payments, which access rights shall be reasonably exercised by the Customer's designated representative during normal business hours.

- (c) **Re-sourcing Cooperation and Intellectual Property.** Conditional upon the receipt of \$500,000 (the "IP Purchase Price") by the Monitor, in trust, on the Effective Date:

- (i) from the Effective Date and throughout the Term, KKP will cooperate with the Customer's resourcing (or in-sourcing) production of Component

Parts (provided that the Customer has not caused an Event of Default that is continuing beyond the cure period provided under this Agreement), by providing the Customer and its designees reasonable access to KKP's operations, the Premises and to any of KKP's books and records (including, without limitation, production records, specification and bills of materials (including vendor contact information)) in KKP's possession or control as it relates to the Customer's Component Parts which may be necessary or helpful for the Customer to resource (or in-source) production of Component Parts. In addition, KKP shall assist the Customer in the development of alternative sources of supply for Component Parts during the Term by collaborating with the Customer and any third party prospective suppliers that the Customer may designate as possible replacements for KKP, and by providing technical assistance to such persons regarding the use of any Tooling detailed in Schedule F or any manufacturing data and process specifications acquired as Intellectual Property (defined in 3(c)(ii) below);

- (ii) effective upon the receipt of the IP Purchase Price by the Monitor, in trust, the Customer will acquire from KKP and KKP will transfer to Customer its title to the KKP-owned intellectual property related to the Component Parts described on Schedule "E" free and clear of any encumbrances or third-party rights (the "**Intellectual Property**") in consideration of the IP Purchase Price, and the IP Purchase Price shall be paid to KKP, in whole or in part, in accordance with Subsection 2(c)(iii); and
- (iii) to further reflect the sale of the Intellectual Property, KKP and the Customer shall enter into such Intellectual Property assignment agreement(s) and other documentation as the Customer may reasonably require and as may be satisfactory to KKP and the Monitor.
- (d) **Access.** Without limiting anything contained herein, for purposes of Subsections 3(b) and (c) above, the term "reasonable access" shall include the Customer's entitlement to have access to KKP's books and records relating to the Customer's Component Parts and this Agreement during normal business hours.
- (e) **Production Capacity.** KKP undertakes to fill the Customer's production requirements detailed in Schedule "A" on a priority basis and shall schedule the fabrication of the Customer's Component Parts in a manner to maximize the utilization of its manufacturing capacity while abiding by the scheduling demands of the Customer. The Customer shall accept and pay for any Component Parts produced in accordance with the production requirements detailed in Schedule "A" and delivered by KKP in compliance with this Agreement. In the event that KKP cannot meet the entire demand for goods generated by all of its customers for whatever reason during the wind-down of its business prior to the expiration of the Term or, if exercised, the Completion Option, the Customer shall have priority rights to the manufacturing capacity of KKP and to the specialized labour of KKP to the extent necessary to complete its orders for goods and to the

exclusion of other customers. These prior ranking rights to the manufacturing capacity and specialised labour of KKP shall extend to any extension of this Agreement, including the Completion Option. KKP shall not accept additional orders (other than the Customer) during the wind-down of its business for the production of any new goods that are not already firm at the time of the execution of this Agreement.

4. **Tooling Acknowledgement.** The Customer, KKP and the Lender acknowledge, confirm and agree that:

- (a) upon the Inventory Purchase Trigger Date, the Customer shall have the option to purchase from KKP all or part of the Tooling described on the **Schedule “F”** which Schedule “F” contains a complete list of the KKP-owned tooling being utilized to manufacture Component Parts for the Customer (the **“KKP Tooling”**);
- (b) upon payment of the sum associated with the KKP Tooling purchased by the Customer, including any applicable HST (the **“KKP Tooling Payment”**), the Customer will be entitled to take possession of all KKP Tooling in accordance with the provisions of this Agreement, subject to the KKP Tooling being left in the possession of KKP for the Term (subject to, if exercised, the Completion Option) for the purposes of production of the Component Parts;
- (c) Subject to the Customer having made the KKP Tooling Payment, KKP shall seek an order of the Court vesting in the Customer all right, title and interest in and to the KKP Tooling and the Intellectual Property in conformity with Subsection 3(c)(ii) (the **“Vesting Order”**) upon termination by reason of the occurrence of an Event of Default, or the expiration of the Term (subject to, if exercised, the Completion Option);
- (d) KKP shall hold the KKP Tooling Payment in escrow until it obtains the Vesting Order, upon satisfaction of which condition, the KKP Tooling Payment escrow shall be lifted;
- (e) KKP shall not sell the KKP Tooling to any party other than the Customer unless the Customer declines or fails to make the KKP Tooling Payment at the end of Term (subject to, if exercised, the Completion Option);
- (f) the Tooling described on **Schedule “G”** (the **“Customer Tooling”**) is owned by the Customer and is not and was never property of KKP;
- (g) Provided the Customer has made the payments required pursuant to Subsections 2(c) (ii), (iii), (iv) and (vi), the Customer shall be entitled at any time after the Effective Date to remove, in accordance with the provisions of this Agreement, any surplus Customer Tooling not necessary for KKP to meet its obligations under this Agreement (collectively, the **“Surplus Tooling”**);
- (h) after the end of the Term (subject to, if exercised, the Completion Option) or termination by reason of the occurrence of an Event of Default, , the Customer

shall have the right to take possession of the Customer Tooling in accordance with the provisions of this Agreement, subject to the Customer Tooling being left in the possession of KKP for the Term (subject to, if exercised, the Completion Option) of this Agreement if required for the purposes of production of the Component Parts;

- (i) any Removal of 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;
- (j) KKP hereby agrees to cooperate with the Customer in its taking possession of 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 Tooling, provided, however, that Customer shall not unduly interfere with KKP's ongoing operations when removing Tooling;
- (k) for purposes of Subsection 4(j) above, 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. **Cost Reimbursements Relative to Cancelled Orders.** The Customer will reimburse KKP for the costs related to valid purchase orders received from the Customer, which purchase orders were subsequently cancelled by the Customer, as set out on **Schedule "H"** (the "**Cancellation Reimbursement Payment**"), upon receipt of which Cancellation Reimbursement Payment, KKP will release to the Customer all raw materials and work-in-progress inventory related to the cancelled purchase orders.

6. **Lender Accommodations.**

- (a) **Forbearance.** Lender will forbear from enforcing its rights and remedies during the Term (subject to, if exercised, the Completion Option) provided that 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 Lender's agreement to forbear from the exercise of its 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 Lender.
- (b) **Acknowledgement and Consent.** Lender acknowledges, consents to, and agrees 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.

7. **Conditions Precedent**

- (a) This Agreement shall become effective on the date when the following conditions have been satisfied or waived by the Customer:
 - (i) the Initial Order, in form and substance acceptable to the parties, shall have been granted, which Initial Order shall include an order approving this Agreement and the transactions contemplated herein and shall provide for the appointment of the Monitor.

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 Component Parts in accordance with the production schedule set out in Schedule "A", measured on a weekly basis commencing with the third week after the Effective Date, subject to a cumulative twenty five percent (25%) negative variance based on the prices detailed on Schedule "A";
- (b) a material breach by KKP of any of its obligations contained in this Agreement or any agreement referred to herein 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 Customer of any of its obligations contained in this Agreement or any Agreement referred to herein and such breach is not remedied within three (3) 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 RR fails to receive KKP approval of an RCP or to meet the terms and conditions of this RCP, KKP will notify RR of its intent to invoke termination pursuant to Section 9 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 (subject to, if exercised, the Completion Option), 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 (subject to, if exercised, the Completion Option), the Customer shall be entitled to terminate this Agreement; and
- (c) Upon an Event of Default under Subsection 8(c) continuing beyond the cure period or upon expiry of the Term (subject to, if exercised, the Completion Option), KKP shall be entitled to terminate this Agreement.
- (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. **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:

ROLLS-ROYCE CANADA LIMITED
9500, Cote-de-Liesse
Lachine, Quebec H8T 1A2
Canada
Attention: Richard Brattle
Fax: 
Email: richard.brattle1@Rolls-Royce.com

If to KKP

KK PRECISION INC.
104 Oakdale Road
Toronto, Ontario M3N 1V9
Canada
Attention: George Koulakian, President
Fax: 
Email: 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

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

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

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


11. 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) Should any provision of this Agreement be held invalid or unenforceable, the remainder of this Agreement will not be affected thereby.
- (d) 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.

- (e) Except as specifically provided herein, this Agreement is not intended to modify the terms and conditions of the Supply Agreements, which terms and conditions shall otherwise remain in full force and effect. In the event of any inconsistency between the terms of this Agreement and the terms of the Supply Agreements, the terms of this Agreement will govern to the extent of such inconsistency.
- (f) 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 such.
- (g) 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.

ROLLS-ROYCE CANADA LIMITED

By: 
Name: Natacha Brunet
Title: Legal Counsel
Duly authorized officer

By: 
Name: PAUL COUTURIER
Title: Directeur Relations Industrielles
Duly authorized officer

**ROLLS-ROYCE POWER ENGINEERING
PLC.**

By: _____
Name:
Title:
Duly authorized officer

KK PRECISION INC.

exercise thereof preclude any further exercise thereof, nor the exercise of any other right power or privilege.

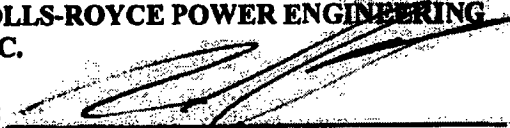
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ROLLS-ROYCE CANADA LIMITED

By: _____
Name:
Title:
Duly authorized officer

By: _____
Name:
Title:
Duly authorized officer

**ROLLS-ROYCE POWER ENGINEERING
PLC.**

By:  _____
Name: SIMON SKIRVIN
Title: COMMERCIAL DIRECTOR NAVAL
Duly authorized officer

KK PRECISION INC.

By: _____
Name:
Title:
Duly authorized officer

BANK OF MONTREAL

By: _____
Name: Robert Kiefer
Title:
Duly authorized officer

**BANK OF MONTREAL
doing business as BMO CAPITAL
PARTNERS**

By: _____
Name: Robert Kiefer
Title:
Duly authorized officer

Acknowledged and agreed to by the proposed Monitor, to the extent of its specified duties and responsibilities set out herein.

**RICHTER GROUPE CONSEIL
INC./RICHTER ADVISORY GROUP INC.**

By:  _____
Name: Eric Barbieri
Duly authorized officer

By: _____

Name: George Konstantin
Title: President
Duly authorized officer

BANK OF MONTREAL

By: _____

Name: Robert Kiefer
Title:
Duly authorized officer

**BANK OF MONTREAL
doing business as BMO CAPITAL
PARTNERS**

By: _____

Name: Robert Kiefer
Title:
Duly authorized officer

Acknowledged and agreed to by the proposed Monitor, to the extent of its specified duties and responsibilities set out herein.

**RICHTER GROUPE CONSEIL
INC./RICHTER ADVISORY GROUP INC.**

By: _____

Name: Eric Barbieri
Duly authorized officer

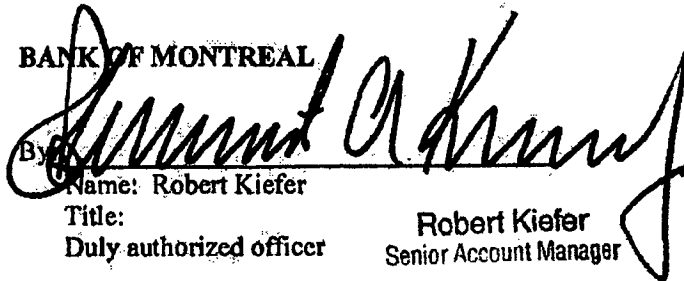
By: _____

Name:

Title:

Duly authorized officer

BANK OF MONTREAL

By: 

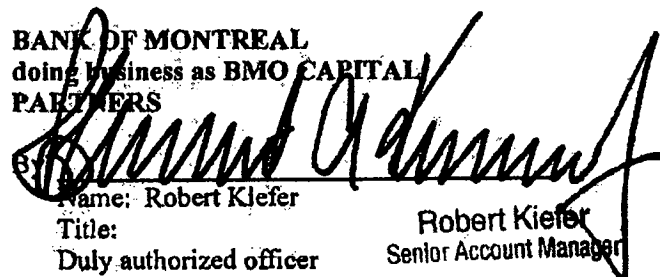
Name: Robert Kiefer

Title:

Duly authorized officer

Robert Kiefer
Senior Account Manager

**BANK OF MONTREAL
doing business as BMO CAPITAL
PARTNERS**

By: 

Name: Robert Kiefer

Title:

Duly authorized officer

Robert Kiefer
Senior Account Manager

Acknowledged and agreed to by the proposed Monitor, to the extent of its specified duties and responsibilities set out herein.

**RICHTER GROUPE CONSEIL
INC./RICHTER ADVISORY GROUP INC.**

By: _____

Name: Eric Barbieri

Duly authorized officer

**TO BE FILED
SEPARATELY**

TAB L

Exhibit "L" to the Affidavit of George Koulakian,
sworn before me this 28th day of May, 2014.

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

Commissioner for Taking Affidavits, etc.

Christopher Blake Moran

ADVISORY SERVICES AGREEMENT

THIS AGREEMENT (the "Agreement") is dated as of the 23rd day of May, 2014.

BETWEEN:

KK Precision Inc., a company incorporated under the laws of Ontario (the "Company")

AND

MVM Industrial Services Limited, a company incorporated under the laws of Ontario (the "Advisor")

AND

Garth Wheldon, an individual resident in the province of Ontario ("Wheldon")

WHEREAS:

- A. The Company desires to engage the Advisor to assist with strategic issues relating to the Company and its business, including a possible sale and/or a wind-down of the Company's operations; and
- B. The Advisor has the requisite experience, expertise and knowhow to assist with the above.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. ENGAGEMENT

- 1.1. The Company hereby retains and engages the Advisor, and the Advisor hereby accepts such retainer and engagement, to provide the services set forth in Section 2 below on the terms and conditions set forth in this Agreement.

2. SERVICES

- 2.1. The Advisor will assist and advise the Company with strategic issues relating to the Company and its business, including a possible sale and/or the wind-down of the Company's operations (the "Advisory Services").

3. COMPENSATION AND EXPENSES

- 3.1. Biweekly (or pro-rated based on the number of business days if this Agreement terminates before a payment is due), the Company shall pay to the Advisor, or to another entity as directed by the Advisor, consideration in the form of a cash payment in the amount of \$12,000. In addition, a cash payment of \$12,000 shall be paid as a retainer upon initiation of the agreement, which shall be applied against the last biweekly payment earned under this Agreement.
- 3.2. In addition, the Company shall pay to the Advisor one of the following bonus payments based on the realization of net liquidation proceeds: \$50,000 for net liquidation proceeds greater than \$5,500,000; \$100,000 for net liquidation proceeds greater than \$6,250,000; or \$150,000 for net liquidation proceeds greater than \$7,000,000. For greater certainty, the net liquidation proceeds shall be calculated as the net amount that will be applied to the principal amount outstanding under the credit facilities made available to the Company pursuant to the credit agreement dated September 1, 2011, as amended, by the Bank of Montreal (the "Bank"), and is to be calculated net of all costs, including, without limitation, all professional costs incurred directly by the Bank related to the liquidation.
- 3.3. The Company shall also be responsible for and shall reimburse the Advisor (upon submission of an expense reimbursement claim with supporting documentation) for all reasonable, out-of-pocket expenses incurred by the Advisor in connection with the Advisor's duties and responsibilities hereunder, including (without limitation) mileage (based on a rate of \$0.32/km) and tolls.

- 3.4. All payments made hereunder to the Advisor shall be made without statutory deductions. The Advisor acknowledges responsibility for arranging, paying and remitting all applicable payments, contributions, premiums or penalties under any federal or provincial legislation with respect to any payments received for the Services provided under this Agreement by the Advisor. The Advisor agrees to and does hereby agree to indemnify the Company against all additional costs, expenses and amounts owing to Canada Revenue Agency ("CRA") in the event that CRA assesses the Company for taxes owing and not remitted in respect of any payments made by the Company to Wheldon or the Advisor for the taxes owing by the Advisor for the provision of advisory services pursuant to this Agreement.

4. RELATIONSHIP OF THE COMPANY, THE ADVISOR AND WHELDON

- 4.1. The Advisor shall be considered to be an independent contractor of the Company and shall not be considered an employee of the Company.
- 4.2. The Company acknowledges that the Advisor is or may become engaged in other business activities for gain, profit or other pecuniary advantage, including without limitation, the provision of services to other public and private companies or projects similar or identical to those to be rendered to the Company. Notwithstanding its other business activities, the Advisor shall direct as much time and attention as is necessary to fulfill all of its obligations under this Agreement.
- 4.3. Wheldon hereby acknowledges, agrees and undertakes that he shall take all steps to provide the necessary support and assistance to ensure that the Advisor fulfills all of its obligations under this Agreement.
- 4.4. To the extent that it is necessary, Wheldon hereby agrees and undertakes to act or continue to act, as the case may be, as a director of the Company until, at the earliest, the completion of the wind down or sale of the Company's assets, property and/or undertaking. If Wheldon is required to act as a director of the Company, the Company will, at its expense, provide Wheldon with reasonable and sufficient directors' and officers' insurance coverage that is at least as favorable as the coverage provided at present to any other directors and officers of the Company, and which insurance shall remain in effect during the entire term of Wheldon's directorship with the Company.

5. LIMITATION OF LIABILITY AND INDEMNITY

- 5.1. The Company acknowledges that all services, documents and advice provided by the Advisor are solely given as advice, and all actions taken or not taken by the Company are the sole responsibility of the Company, as the case may be.
- 5.2. The Company hereby agrees that neither the Advisor nor any affiliated companies shall have any liability as a result of any services, documents and advice provided pursuant to this Agreement.
- 5.3. The Company hereby agrees to indemnify and hold harmless the Advisor and any affiliated companies from any and all liability, loss, cost, damage or expense, including, without limitation, reasonable legal fees and expenses, (the "Loss") that any such indemnified party may suffer as a result of any claims, demands, costs, judgments or any other means arising out of the provision of, or failure to provide, the services, documents and advice under this Agreement, except where such Loss is a result of the Advisor's gross negligence or wilful misconduct.

6. TERMINATION

- 6.1. Unless extended by a written agreement of the parties hereto, this Agreement will terminate on September 30, 2014, or earlier upon at the election of the Company upon no less than thirty (30) days' written notice to the other parties of its intention to terminate this Agreement. Notwithstanding the above, the Company shall remain responsible for the payment described in Section 3 above post termination.
- 6.2. The provisions of Sections 3 through 12 shall survive the termination of this Agreement and the termination of the Advisor's engagements with the Company.

7. ARBITRATION

- 7.1. Should there be a disagreement or a dispute between the parties hereto with respect to this Agreement or the interpretation thereof, or the services, facilities or equipment to be provided hereunder, such dispute or disagreement will be referred to a single arbitrator pursuant to Ontario's arbitration laws and the determination of such arbitrator will be final and binding upon the parties. Any award pursuant to such arbitration may be entered and enforced in any court of competent jurisdiction.

8. NON WAIVER

- 8.1. The failure of a party to insist upon strict adherence to any one or more of the terms of this Agreement on one or more occasions will not be construed as a waiver of any such term by such party or deprive the such party of the right to require strict compliance thereafter with the same or any other term of this Agreement.

9. SEVERABILITY

- 9.1. If any portion of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, the remaining covenants and restrictions or portions thereof will remain in full force and effect.

10. ASSIGNMENT

- 10.1. The obligations and rights under this Agreement may not be assigned or transferred by any of the parties hereto, except to the extent that they are transferred or assigned by the Advisor to an affiliated company under the sole control of Wheldon, which is permissible hereunder. This Agreement will be binding upon and will ensure to the benefit of the parties and their respective successors, heirs and assigns.

11. NOTICES

- 11.1. Any notice or other communication to be given hereunder will be in writing and will be addressed to the party to receive such notice or communication at the address for such party. All notices will be either sent by fax, email or delivered by prepaid courier, in each case addressed to the recipient party and will be deemed to have been given and received if delivered, on the day of delivery or if sent by fax or email, on the business day following the date it was so sent.
- 11.2. Either party may at any time give notice in writing to the other of a change in its address for the purposes of this section.

12. GENERAL

- 12.1. The headings used throughout this Agreement are inserted for reference purposes only and are not to be considered, or taken into account, in considering the terms or provisions of this Agreement, nor to be deemed in any way to qualify, modify or explain the effect of any such terms or provisions.
- 12.2. This Agreement supersedes all prior agreements between the Advisor and the Company, except that any actual or contingent payments owing to the Advisor (or an affiliate thereof) under the terms of any other agreement between the Company and the Advisor (or an affiliate thereof) shall remain owing according to the terms of such agreements.
- 12.3. This Agreement may only be changed or modified by an agreement in writing signed by the parties hereto.
- 12.4. This Agreement will be governed by and interpreted in accordance with the laws of the Province of Ontario, and the courts and arbitrators of the Province of Ontario will have exclusive jurisdiction.

* - * - * - * - *

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date and year first above written.

COMPANY

KK PRECISION INC.

Per: _____

Authorized Signatory

Name: George Koulikian

Title: President

ADVISOR

MVM INDUSTRIAL SERVICES LIMITED

Per: _____

Authorized Signatory

Name: GARTH A. WHELDON

Title: MANAGING DIRECTOR

WHELDON

Witness

GARTH WHELDON

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

**APPLICATION RECORD
(Volume 2 of 2)**

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Toronto-Dominion Centre
Toronto, ON M5K 0A1

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Solicitors for the Applicant