

**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")

**THIRD REPORT OF**  
**RICHTER ADVISORY GROUP INC.**  
**IN ITS CAPACITY AS MONITOR OF**  
**KK PRECISION INC.**

September 11, 2014

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**KK PRECISION INC.**

**THIRD REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR OF  
KK PRECISION INC.**

**SEPTEMBER 10, 2014**

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
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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.

THIRD REPORT OF RICHTER ADVISORY GROUP INC.  
In its capacity as Monitor of KK Precision Inc.

September 10, 2014

**Introduction**

1. On May 30, 2014, the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued an order (the "**Initial Order**") granting KK Precision Inc. (the "**Company**") protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Richter Advisory Group Inc. ("**Richter**") was appointed the Company's monitor (the "**Monitor**"). The Initial Order provided the Company with, *inter alia*, a stay of proceedings (the "**Stay Period**") until June 29, 2014. The proceedings commenced by the Company under the CCAA are herein referred to as the "**CCAA Proceedings**".
2. The principal purpose of the CCAA Proceedings was to allow the Company to implement an orderly wind-down of its operations. The orderly wind-down included production activities for a period of time to, among other things, permit key customers the opportunity to source alternative supply, and a process to solicit offers from interested parties to purchase the Company's business and/or assets with a view to maximizing value for all stakeholders.
3. On June 25, 2014, the Court issued an order (the "**June 25 Order**"), among other things, extending the Stay Period to September 19, 2014, and approving the process commenced by the Company to solicit offers for the Company's business and/or assets. A copy of the June 25 Order is attached hereto as **Appendix "A"**.



4. On August 5, 2014, the Court issued an order (the “**August 5 Order**”), among other things, approving a Liquidation Services Agreement (“**LSA**”) entered into between the Company and Infinity Asset Solutions Inc. (“**Infinity**”) to complete an auction of the Company’s machinery and equipment (the “**Auction**”). A copy of the August 5 Order is attached hereto as **Appendix “B”**.

**Purpose of this Report**

5. The purpose of this report (the “**Third Report**”) is to provide information to the Court in respect of the following:
  - (i) The activities of the Company and the Monitor since July 25, 2014 (the date of the Second Report of the Monitor) to the date of this Third Report;
  - (ii) The Company’s actual cash flows for the period from May 10, 2014 to September 5, 2014, including a comparison of actual to forecast results;
  - (iii) The Company’s extended cash flow forecast for the period September 6, 2014 to November 28, 2014 (the “**Extended Cash Flow Forecast**”);
  - (iv) The status of discussions/negotiations between the Company and 2215225 Ontario Inc. (“**2215225**” or the “**Landlord**”) regarding the Company’s leased premises located at 104 Oakdale Road, Toronto, Ontario (the “**Premises**”);
  - (v) The Monitor’s review of the validity and enforceability of the security granted by the Company in favour of the Bank of Montreal (“**BMO**”) and BMO Capital Partners (the “**Subordinate Lender**”, and together with BMO, the “**Secured Lenders**”) and the opinion thereon of the Monitor’s independent legal counsel, Chaitons LLP (“**Chaitons**”);
  - (vi) The Company’s request to make an interim distribution to the Secured Lenders, subject to withholding sufficient monies to satisfy, among other things, any additional post-filing obligations incurred prior to the completion of the Company’s CCAA Proceedings; and
  - (vii) The Company’s request for an extension of the Stay Period to November 28, 2014.

### Terms of Reference

6. In preparing this Third Report, the Monitor has relied on, among other things, unaudited financial information prepared by the Company's representatives, the Company's books and records, discussions with management and discussions with the Company's advisors. The Monitor has not conducted an audit or other verification of such information.
7. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

### The Company's Activities

8. The activities of the Company since the commencement of the CCAA Proceedings to July 25, 2014 are detailed in the Monitor's Second Report dated July 25, 2014 (the "**Second Report**"). A copy of the Second Report (without appendices) is attached hereto as **Appendix "C"**. Subsequent to the filing of the Second Report, the Company's activities have included:
  - (i) Continuing to manufacture component parts and supply goods to Rolls-Royce Canada Limited and Rolls-Royce Power Engineering PLC (together, "**Rolls Royce**"), Siemens Energy Inc. ("**Siemens**") and Pratt & Whitney Canada Corp. ("**Pratt**") in accordance with the terms of separate accommodation agreements between the Company and Rolls Royce, Siemens and Pratt (collectively, the "**Accommodation Agreements**"). As at the date of this Third Report, and in accordance with the Accommodation Agreements, all production activities in that regard have ceased and the Company is in the final stages of winding down its operations;
  - (ii) Preparing weekly production reports for Rolls Royce in accordance with the terms of the Rolls Royce accommodation agreement;
  - (iii) Continuing to communicate with the Landlord and its counsel regarding the Company's lease for the Premises, in which the lease term expires on September 30, 2014;
  - (iv) Undertaking and contracting for certain repairs to the Premises in anticipation of the Company vacating the Premises by no later than September 30, 2014;
  - (v) Continuing to communicate with key suppliers to secure goods and services during the CCAA Proceedings and to address payment terms;
  - (vi) Responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;

- (vii) Reporting receipts and disbursements;
- (viii) Making payments to suppliers for goods and services received following the issuance of the Initial Order;
- (ix) Preparing the Extended Cash Flow Forecast;
- (x) Working cooperatively with Infinity to prepare for the Auction, which is scheduled to take place on September 10, 2014; and
- (xi) Consulting with the Monitor on various matters in connection with the CCAA Proceedings.

#### **The Monitor's Activities**

9. The activities of the Monitor from the commencement of the CCAA Proceedings up to July 25, 2014 are detailed in the Second Report. Subsequent to the filing of its Second Report, the Monitor's activities have included:
- (i) Assisting the Company in preparing its weekly report to Rolls Royce, including an analysis of the production status for component parts delivered to Rolls Royce;
  - (ii) Collecting and dispersing monies received, in trust, from Rolls Royce to the Company in accordance with the terms of the Rolls Royce accommodation agreement;
  - (iii) Assisting the Company in coordinating with Siemens and Pratt relative to the shipment of parts and subsequent collection of receivables pursuant to the respective accommodation agreements;
  - (iv) Attending frequently at the Company's Premises and meeting with the Company's management team to discuss the Company's operations and the CCAA Proceedings;
  - (v) Corresponding and communicating extensively with the Company and its legal counsel;
  - (vi) Corresponding and communicating with the Secured Lenders and their legal counsel;
  - (vii) Responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;

- (viii) Assisting the Company in its discussions and negotiations with Infinity regarding the LSA and the Auction;
- (ix) Assisting the Company with the preparation of the Extended Cash Flow Forecast;
- (x) Assisting the Company and facilitating discussions and negotiations between the Company and the Landlord regarding the Premises; and
- (xi) Preparing this Third Report.

**Cash Flow for the Period from May 10, 2014 to September 5, 2014**

- 10. The Company's cash flow projection for the period May 10, 2014 to September 19, 2014 (the "Initial Cash Flow Forecast") was filed with the Court as part of the Company's CCAA application materials. The Monitor reported on the Company's cash flows for the period from May 10, 2014 to July 18, 2014 in its Second Report.
- 11. A comparison of the Company's budget to actual results for the 17 weeks ended September 5, 2014 is summarized as follows:

<b>KK Precision Inc.</b>			
<b>Cash Flow Variance Analysis</b>			
<b>17 Weeks Ended September 5th</b>	<b>Forecast</b>	<b>Actual</b>	<b>Variance</b>
<b>(\$000's)</b>	<b>05-Sep</b>	<b>05-Sep</b>	<b>\$</b>
<b><u>Cash Receipts</u></b>			
Operating Cash Receipts	\$ 6,744	\$ 5,910	\$ (834)
Other	412	207	(205)
<b>Total Cash Receipts</b>	<b>\$ 7,156</b>	<b>\$ 6,117</b>	<b>\$ (1,039)</b>
<b><u>Cash Disbursements</u></b>			
Operating Expenses	(865)	(749)	116
Payroll & Benefits	(1,196)	(1,091)	106
Retention Payments	(412)	(446)	(35)
Rent & Property Taxes	(223)	(223)	-
Utilities & Insurance	(116)	(57)	59
Sales Tax Remittances	(445)	(64)	381
Professional Fees	(485)	(409)	76
Other	(410)	(95)	315
<b>Total Disbursements</b>	<b>\$ (4,151)</b>	<b>\$ (3,134)</b>	<b>\$ 1,017</b>
<b>Net Cash Flow from Operations</b>	<b>\$ 3,005</b>	<b>\$ 2,983</b>	<b>\$ (22)</b>
<b>Cash Flow from Asset Sales</b>	n/a	1,006	n/a
<b>Cash - Opening Balance</b>	<b>\$ 432</b>	<b>\$ 510</b>	<b>\$ 78</b>
<b>Cash - Closing Balance</b>	<b>\$ 3,437</b>	<b>\$ 4,499</b>	<b>\$ 1,063</b>

12. As reflected in the above summary table, the Company generated net cash flow of approximately \$3.0 million from operations and had approximately \$4.5 million on hand, net of outstanding cheques, as at September 5, 2014.
13. Although, as reflected in the above summary table, the Company's cumulative net cash flow for the period ending September 5, 2014 was consistent with the Initial Cash Flow Forecast, variances occurred in both the Company's receipts and disbursements. The principal reasons for these variances are as follows:
  - (i) The negative variance of approximately \$1.0 million in operating receipts is due to timing differences related to the delivery of manufactured component parts for Rolls Royce, and the release of associated proceeds funded by Rolls Royce to the Monitor. As of September 5, 2014, the Company had completed all shipments of component parts to Rolls Royce in accordance with the accommodation agreement, the total value of which was consistent with the forecast. The Monitor is currently holding approximately \$1.5 million in trust which is expected to be released to the Company following a final reconciliation approved by the Company and Rolls Royce; and
  - (ii) The positive variance of approximately \$1.0 million in disbursements includes timing differences related to sales tax remittances and professional fees, as well as permanent favorable variances in operating expenses and payroll costs.
14. The Monitor is of the view that the Company is acting in a manner consistent with its Initial Cash Flow Forecast and there have been no material adverse changes to the Company's operations since the commencement of the CCAA Proceedings. Since the issuance of the Initial Order, the Company has been paying all suppliers based on negotiated terms or upon receipt of invoices. The Company advises that it has not incurred significant unpaid liabilities since the commencement of the CCAA Proceedings.

**Extended Cash Flow Forecast for the Period September 6, 2014 to November 28, 2014**

15. The current Stay Period expires on September 19, 2014. The Company is seeking an extension of the Stay Period to November 28, 2014 (discussed further below).
16. In support of this request, the Company, with the assistance of the Monitor, has prepared the Extended Cash Flow Forecast, which is attached hereto as **Appendix "D"**.

17. As noted in paragraph 8 above, the Company has ceased all production activities and has been finalizing the wind-down of its operations and working cooperatively with Infinity to prepare for the Auction that is scheduled for September 10, 2014. As such, the Extended Cash Flow Forecast has been prepared taking into consideration the projected additional receipts to be collected from both Rolls Royce (through the Monitor) and Infinity, as well as the projected expenses to complete the wind down of the Company's operations and make any required repairs to the Premises prior to vacating the Premises on September 30, 2014.
18. In connection with the above, and as provided for in the Extended Cash Flow Forecast, the Monitor confirms that, on September 8, 2014, the Company received the net minimum guarantee provided for in the LSA and that, as at September 9, 2014, the Company had approximately \$7.76 million of cash on hand, net of outstanding cheques.
19. Based on the Extended Cash Flow Forecast, following completion of its wind-down, the Company estimates that it will have approximately \$8.2 million available for distribution to its creditors, which is insufficient to repay, in full, the amounts owing to the Secured Lenders. As the Secured Lenders are projected to incur a substantial shortfall on the amounts owing to them, there will be insufficient monies to make any distribution to any of the Company's other creditors ranking behind the Secured Lenders.

**Negotiations/Discussions between the Company and the Landlord regarding the Premises**

20. As noted in the Monitor's prior reports in connection with the CCAA Proceedings, the lease for the Premises expired on April 30, 2014 (the "**Lease**"). Prior to the commencement of the CCAA Proceedings, the Company negotiated a lease extension with the former owner of the Premises, which runs until September 30, 2014 (the "**Lease Extension**"). Subsequent to entering into the Lease Extension and following the commencement of the CCAA Proceedings, the Premises were sold to 2215225.
21. As noted in the Second Report, following the Company's selection of Infinity as the successful bidder for the Company's assets, the Company and the Landlord (with the assistance of the Monitor) have been communicating regarding (i) the Company's requirement to vacate the Premises, including the completion of any required repairs and/or remediation activities, by September 30, 2014, (ii) the Landlord's concerns that the Company will not be able to fulfill its obligations to restore the Premises to an acceptable condition prior to September 30, 2014, and (iii) the possibility of a brief lease extension beyond September 30, 2014.

22. Unfortunately, not only were the Company and the Landlord unable to agree on the terms of a lease extension beyond September 30, 2014, but the Company and the Landlord have also been unable to agree on the scope of the repairs and/or remediation activities required to be completed by the Company prior to it vacating the Premises.
23. As detailed in the Second Report, the Landlord and the Company exchanged correspondence which outlined the positions of each of the Landlord and the Company regarding the Company's obligations to repair/restore the Premises in accordance with the terms of the Lease and Lease Extension.
24. The Landlord's concerns regarding the Premises were further outlined in the affidavit of T.J. Tersigni, President and CEO of 2215225, sworn July 30, 2014 (the "**Tersigni**" Affidavit") in response to the Company's motion returnable August 5, 2014. A copy of the Tersigni Affidavit is attached hereto as **Appendix "E"**.
25. In response to the Tersigni Affidavit, the Monitor filed its Supplemental Second Report dated July 31, 2014 (the "**Supplemental Second Report**") to address certain of the concerns raised therein, a copy of which is attached hereto as **Appendix "F"**. As noted in the Supplemental Second Report, the Monitor was of the view that the Company and Infinity appeared to have developed a reasonable plan to complete the Auction, remove the Company's machinery and equipment from the Premises and complete those repairs to the Premises that the Company believed it was obligated to complete under the terms of the Lease and Lease Extension by September 30, 2014.
26. Subsequent to the issuance of the August 5 Order, the Company and the Landlord have continued to exchange correspondence with respect to the Premises. Based on these communications, the Landlord has acknowledged that the Company is undertaking certain repairs at the Premises, but there remains disagreement among the parties as to the scope of the required repairs/remediation. In particular, the Landlord has expressed concerns that the Company was not addressing the potential environmental issues raised by the Landlord.
27. In an effort to alleviate the Landlord's concerns regarding any potential environmental issues at the Premises, the Company has provided the Landlord with copies of the following:
  - (i) A Phase I Site Assessment Report (the "**Phase I Report**") prepared by Conestoga-Rovers & Associates ("**Conestoga**") in August 2011. The Phase I Report, a copy of which is attached hereto as **Appendix "G"**, was based on a visual inspection/historical review of the Premises and identifies any potential areas of environmental impairment; and

- (ii) A Phase II Site Assessment Report (the "**Phase II Report**") completed by Conestoga in July 2013 to address the areas on potential environmental impairment identified in the Phase I Report. The Phase II Report, a copy of which is attached hereto as **Appendix "H"**, was based on the physical testing of the Premises, including the drilling of boreholes to analyze soil and groundwater samples. The Phase II Report concluded that there was no evidence of groundwater or soil impacts and that there was no need for further site assessment or remediation work at the Premises.
28. Given that the Phase II Report was completed approximately one year ago and, based on information received from the Company's management that there have been no significant changes to the Company's operations that would have any negative impact on the environmental situation of the Company since that time, the Company is of the view that a further site assessment is unnecessary.
29. Although the Monitor is uncertain if the Company and the Landlord will be able to resolve the matters that are currently in dispute between them, the Monitor is of the view that the Company has been cooperating with the Landlord throughout the CCAA Proceedings and has been providing the Landlord with updates on the status of repairs/remediation work at the Premises. Furthermore, as stated in the affidavit of G. Wheldon sworn September 10, 2014 (the "**September 10 Wheldon Affidavit**") in support of the Company's motion returnable September 16, 2014, it is the Company's intention to fully meet what it believes to be all of its obligations to the Landlord in accordance with the terms of the Lease, the Lease Extension and the CCAA.

#### **The Company's Request for Approval of an Interim Distribution to the Secured Lenders**

30. Details of the Company's obligations to the Secured Lenders are set out in the affidavit of G. Koulakian of the Company dated May 28, 2014, sworn in support of the Company's application pursuant to the CCAA (the "**May 28 Koulakian Affidavit**") and the September 10 Wheldon Affidavit.
31. As noted in the May 28 Koulakian Affidavit, the Company is indebted to BMO in respect of certain credit facilities (the "**Senior Credit Facilities**") made available by BMO pursuant to and under the terms of a credit agreement between BMO and the Company dated September 1, 2011, as amended by an amending agreement between BMO and the Company dated January 31, 2012 (the "**Senior Credit Agreement**").



32. The Company is also indebted to the Subordinate Lender in respect of certain credit facilities (together with the Senior Credit Facilities, the "**Credit Facilities**") made available to the Company pursuant to a credit agreement between the Subordinate Lender and the Company dated September 1, 2011, as amended by an amending agreement between the Subordinate Lender and the Company dated January 31, 2013 (together with the Senior Credit Agreement, the "**Credit Agreements**").
33. As security for the Company's obligations to the Secured Lenders under the Credit Agreements, the Company granted the following security in favour of the Secured Lenders (collectively, the "**Security**"):
- (i) A general security and Pledge Agreement dated September 1, 2011 in favour of BMO;
  - (ii) Bank Act Security Notice of Intention dated September 2, 2011 (and related documentation) in favour of BMO;
  - (iii) An Assignment of Material Agreements dated September 1, 2011 in favour of BMO;
  - (iv) A General Security and Pledge Agreement dated September 1, 2011 in favour of the Subordinate Lender; and
  - (v) An Assignment of Material Agreements dated September 1, 2011 in favour of the Subordinate Lender.
34. As detailed in the September 10 Wheldon Affidavit, as at August 31, 2014, the amount of principal and accrued interest owing by the Company under the Credit Facilities provided to it by the Secured Lenders is approximately \$13.15 million.
35. Based on a review of registrations made under the *Personal Property Security Act* (Ontario) (the "**PPSA**"), the following parties have registered their respective security interests against the personal property of the Company: Xerox Canada Ltd. ("**Xerox**") in respect of certain leased equipment, Orbian Financial Services II, Inc. ("**Orbian**") and River VI, L.P ("**River**" and together with Xerox and Orbian, the "**Other PPSA Registrants**"). The Secured Lenders have the earliest-in-time PPSA registrations against the Company, followed chronologically by Xerox, Orbian and River. The Monitor understands that each of the Other PPSA Registrants are on the service list in the CCAA Proceedings and will be provided with notice of the Company's motion returnable September 16, 2014.

36. The Monitor has obtained an independent, written legal opinion (the “**Security Opinion**”) from Chaitons, with respect to the validity and enforceability of the Security. Subject to the customary qualifications and limitations contained therein, it is Chaitons’ opinion that the Security is valid and enforceable against all of the Company’s personal property, which would include the proceeds from the Company’s assets subject to the LSA as well as any surplus cash flow from the Company’s operations.
37. The Security, however, is subject to certain prior charges and security interests or claims in respect of the Company’s property, which include:
- (i) The Administration Charge (as defined in the Initial Order) in the maximum amount of \$250,000 to secure the fees and disbursements incurred in connection with the Company’s CCAA Proceedings by the Monitor, Chaitons and legal counsel to the Company;
  - (ii) The D&O Charge (as defined in the Initial Order) in the maximum amount of \$100,000 for liabilities incurred by the Company that may result in post-filing claims against the directors and officers in their personal capacities; and
  - (iii) Statutory claims pursuant to the CCAA.
38. The Company is requesting that the Court authorize and direct the Company to make an interim distribution to the Secured Lenders in the amount of \$6 million (the “**Interim Distribution**”).
39. After making the Interim Distribution, the Company will retain in excess of \$1.7 million (excluding approximately \$1.6 million in additional projected receipts) for payment of any additional wind-down costs or other expenses associated with the completion of the Company’s CCAA proceedings (the “**Holdback**”). The Holdback is comprised of the following:

<b>KK Precision Inc. Holdback Summary (\$000's)</b>	
Administration Charge	\$ 250
Directors' Charge	100
Repairs/Restoration to the Premises (net of \$100k Security Deposit)	400
Post-Filing Expenses, including any Priority Claims	1,014
<b>Total Holdback</b>	<b>\$ 1,764</b>

40. The Company is proposing to withhold the full amount of the Administration Charge and the D&O Charge. The Monitor will be discussing with the Company and its legal counsel the manner in which the Company's sole director will agree to release the D&O Charge.
41. As part of the post-filing expenses, the Company is also proposing to withhold \$400,000 for the costs to complete repairs/remediation to the Premises. As detailed in the Tersigni Affidavit, the Landlord estimates the costs to properly restore the Premises to be approximately \$500,000. The proposed holdback amount is net of the \$100,000 security deposit already being held by the Landlord.
42. Based on its discussions with the Company, the Bank and their respective representatives, the Monitor understands that the Company and the Bank dispute the Landlord's claim to entitlement to \$400,000 of repairs/remediation to the Premises.
43. The remainder of the Holdback is to cover outstanding post-filing costs incurred in connection with the completion of the Company's CCAA Proceedings. In this regard, the Monitor has reviewed the Extended Cash Flow Forecast, as presented in this Third Report, and is satisfied that the Company is holding sufficient funds to make the proposed Interim Distribution, continue to fund the ongoing CCAA process and address all known post-filing claims and priority claims.
44. As noted above, the Company expects to recover an additional \$1.6 million in excess of the amount of the Interim Distribution and the Holdback. The Company and the Monitor are of the view that, in order to maximize efficiency and avoid the need to seek the approval of the Court to make subsequent distributions to the Secured Lenders, it is appropriate, in addition to seeking approval of the Interim Distribution, to seek the Court's approval to make such subsequent distributions to the Secured Lenders that the Company, in consultation with the Monitor, determines are appropriate, subject to the Company maintaining the Holdback to finalize the wind-down of its operations, including the payment of any outstanding post-filing obligations and the completion of repairs/remediation work at the Premises.

#### **The Company's Request for an Extension of the Stay of Proceedings to November 28, 2014**

45. As noted above, the current Stay Period expires on September 19, 2014. The Company is seeking an extension of the Stay Period to November 28, 2014.

46. In support of this request, the Company, with the assistance of the Monitor, prepared the Extended Cash Flow Forecast (see Appendix "D"), which is summarized below:

<b>KK Precision Inc.</b> <b>Cash Flow Forecast</b> <b>From 9/6/2014 to 11/28/2014</b> (\$000's)	
<b>Cash Receipts</b>	<b>\$ 4,891</b>
<b><u>Cash Disbursements</u></b>	
Operating Expenses	(120)
Payroll & Benefits	(105)
Retention Payments	(29)
Rent & Property Taxes	-
Utilities & Insurance	(42)
Sales Tax Remittances	(243)
Site Remediation Costs	(185)
Professional Fees	(353)
Other / Contingency	(85)
<b>Total Disbursements</b>	<b>\$ (1,161)</b>
<b>Net Cash Flow</b>	<b>\$ 3,729</b>
<b>Cash - Opening Balance</b>	<b>\$ 4,499</b>
<b>Cash - Closing Balance</b>	<b>\$ 8,228</b>

47. The Extended Cash Flow Forecast indicates that the Company will have sufficient liquidity to fund both operating costs and the costs of these CCAA Proceedings during the extension of the Stay Period, if granted.
48. The Monitor is of the view that the extension of the Stay Period is appropriate in the circumstances and supports the Company's request for an extension of the Stay Period for the following reasons:
- (i) The Company has acted and is acting in good faith and with due diligence in taking steps to wind-down the Company's operations;
  - (ii) It will provide the additional time necessary for the Company to complete the Auction, vacate the Premises and, ideally, resolve any outstanding issues with the Landlord regarding the Premises;
  - (iii) The granting of the extension should not prejudice any creditor, as the Company is projected to have sufficient funds to pay post-filing services and supplies, as contemplated by the Extended Cash Flow Forecast; and

- (iv) The Secured Lenders support the extension.

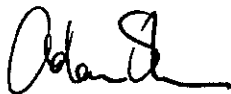
**Monitor's Conclusions and Recommendations**

49. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court issue an order that provides for the following:
- (i) Authorizing and directing the Company to make the Interim Distribution;
  - (ii) Authorizing and directing the Company to make such subsequent distributions to the Secured Lenders as the Company, in consultation with the Monitor, determines appropriate, subject to the Company maintaining the Holdback to satisfy any post-filing obligations and complete the administration of the CCAA Proceedings; and
  - (iii) Extending the Stay Period to November 28, 2014.

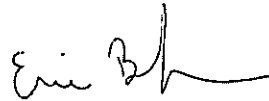
All of which is respectfully submitted this 10<sup>th</sup> day of September, 2014.

**Richter Advisory Group Inc.**  
in its capacity as Monitor of  
KK Precision Inc.

Per:



Adam Sherman, MBA, CIRP

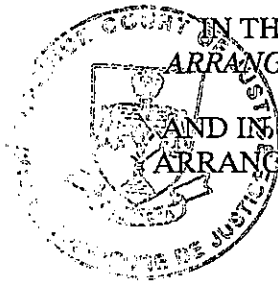


Eric Barbieri, CPA, CA

## **APPENDIX A**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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



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

**ORDER**

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

**ON READING** the affidavit of Garth Wheldon sworn June 24, 2014 (the "**Wheldon Affidavit**") and the Exhibits thereto, the First Report of Richter Advisory Group Inc., in its capacity as Court appointed monitor (the "**Monitor**"), dated June 24, 2014, and on hearing the submissions of counsel for the Applicant, Bank of Montreal and BMO Capital Partners, the Monitor, Siemens Energy Inc., 2215225 Ontario Inc. and no one appearing for any other party although served as it appears from the affidavits of service of Sinikka Berglund-Yates sworn June 24<sup>th</sup>, 2014;

**SERVICE**

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

## STAY EXTENSION

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

## SOLICITATION PROCESS

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

## ACCOMMODATION AGREEMENTS

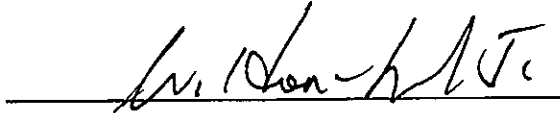
5. **THIS COURT ORDERS** that the accommodation agreement dated June 24, 2014 between Siemens Energy Inc., the Applicant, and Bank of Montreal and BMO Capital Group (the "**Siemens Accommodation Agreement**") is hereby approved, and the Applicant is hereby authorized to perform their obligations thereunder.
6. **THIS COURT ORDERS** that the accommodation agreement dated June 19, 2014 between Pratt & Whitney Canada Corp. and the Applicant (the "**Pratt Accommodation Agreement**") is hereby approved, and the Applicant is hereby authorized to perform their obligations thereunder.
7. **THIS COURT ORDERS** that the redaction of the sensitive commercial information in the Siemens Accommodation Agreement and the Pratt Accommodation Agreement as set forth in Exhibit "B" and Exhibit "C" of the Wheldon Affidavit is hereby approved *nunc pro tunc*, and that the unredacted Siemens Accommodation Agreement and schedules




thereto and the unredacted Pratt Accommodation Agreement and the schedules thereto be kept sealed pending further Order of the Court.

**GENERAL**

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



ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

 JUN 25 2014

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

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**ORDER**  
(June 25, 2014)

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

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

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

*Solicitors for the Applicant*

## APPENDIX B

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. )

JUSTICE PENNY )

TUESDAY, THE 5<sup>th</sup>

DAY OF AUGUST, 2014

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

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

**APPROVAL AND VESTING ORDER**

**THIS MOTION** made by the applicant, KK Precision Inc. (the "**Applicant**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order approving the transaction (the "**Transaction**") contemplated by a liquidation services agreement (the "**Liquidation Services Agreement**") between the Applicant and Infinity Asset Solutions Inc. ("**Infinity**" or the "**Liquidator**") dated July 25, 2014 appended to the affidavit of Garth Wheldon, sworn July 25, 2014 (the "**Wheldon Affidavit**"), filed, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Wheldon Affidavit, the first report of Richter Advisory Group Inc. (the "**Monitor**") dated June 24, 2014 (the "**First Report**"), the second report of the Monitor dated July 25, 2014 (the "**Second Report**"), the affidavit of T.J. Tersigni, sworn July 30, 2014, the supplemental affidavit of Garth Wheldon, sworn July 31, 2014 and the supplement to the Second Report of the Monitor, dated July 31, 2014 and on hearing the submissions of counsel for the Applicant, the Monitor, 2215225 Ontario Inc., no one appearing for any other person on the service list, although properly served as appears from the affidavit of Zev Smith sworn July 28, 2014, filed:

1. **THIS COURT ORDERS AND DECLARES** that the time for service of the Notice of Motion and Motion Record herein be and is hereby abridged such that this motion is properly returnable today and that all parties entitled to notice of the Motion have been duly served, and that any requirement for service of the Notice of Motion and Motion Record upon any party other than the parties served is unnecessary and hereby dispensed with and that the service of the Notice of Motion and Motion Record is hereby validated in all respects.
2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Liquidation Services Agreement by the Applicant is hereby ratified and approved, with such minor amendments as the Applicant, Liquidator or Monitor may deem necessary. The Applicant is hereby authorized and directed to perform the Liquidation Services Agreement and complete the Transaction in accordance with the terms and conditions of the Liquidation Services Agreement including, taking such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction.
3. **THIS COURT ORDERS AND DECLARES** that the Liquidation Services Agreement is hereby approved, and the terms of the Liquidation Services Agreement and the consideration set out in the Liquidation Services Agreement are fair and commercially reasonable and were arrived at in a commercially reasonable manner.
4. **THIS COURT ORDERS** that Infinity is entitled use to the Applicant's premises and is entitled to use the name "KK Precision Inc." and similar derivations in all of its advertising and promotional activities related to the Liquidation Services Agreement.
5. **THIS COURT ORDERS AND DECLARES** that all right, title and interest of the Applicant in and to the Assets (as defined in the Liquidation Services Agreement), shall be sold by Infinity as contemplated by the Liquidation Services Agreement and, upon payment of the applicable purchase price for each of the Assets by Purchasers (as that term is defined in the Liquidation Services Agreement), they shall vest in the applicable Purchaser of such Asset(s) free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), mortgages, charges, hypothecs, estates, trusts or deemed trusts (whether contractual, statutory or otherwise), liens (whether contractual, statutory or otherwise), executions, levies, claims, charges, encumbrances or any other rights, rights of use, claims, disputes and debts of

any person or entity of any kind whatsoever whether legal or equitable, of all persons or entities of any kind whatsoever (collectively, the "**Encumbrances**"), including, but not limited to, any Encumbrances held by or in favour of the parties or entities which are served or whose solicitors are served with the Notice of Motion to approve the Liquidation Services Agreement, and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Assets are hereby expunged and discharged as against the Assets purchased from Infinity in accordance with the Liquidation Services Agreement.

6. **THIS COURT ORDERS AND DIRECTS** that the Net Proceeds (as such term is defined in the Liquidation Services Agreement) distributed to the Applicant under the Liquidation Services Agreement after deduction of the Expense Amount (as that term is defined in the Liquidation Services Agreement) shall stand in the place and stead of the Assets and shall stand charged with all the Encumbrances as existed in respect of the Assets which were released, discharged or otherwise displaced by the sale of the Assets by Infinity and such Encumbrances on the Net Proceeds shall enjoy the same priorities as each such Encumbrance had in respect of the Assets as of the date of the Order of the Court directing the same, as if the sale of the Assets had not occurred, but the holder of any such Encumbrance shall have no further right in or against, or recourse to, the Assets.

7. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

8. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Applicant and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Applicant;

the Liquidation Services Agreement and the Transaction shall be binding on any trustee in bankruptcy that may be appointed in respect of the Applicant and shall not be void or voidable by creditors of the Applicant, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

9. **THIS COURT ORDERS** that nothing herein contained shall require the Liquidator to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property (as defined in the Initial Order dated May 30, 2014) that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt Infinity from any duty to report or make disclosure imposed by applicable Environmental Legislation. Infinity, shall not, as a result of this Order or anything done in pursuance of Infinity's duties and powers hereunder or under the Liquidation Services Agreement, be deemed in Possession of any Property within the meaning of any Environmental Legislation, unless it is actually in possession.

10. **THIS COURT ORDERS** that Infinity, shall incur no liability or obligation as a result of its appointment or carrying out the provisions of the Liquidation Services Agreement, save and except for (i) any gross negligence or wilful misconduct on its part, and (ii) any liabilities or obligations owing to the Company under the Liquidation Services Agreement, or in connection therewith.

11. **THIS COURT ORDERS** that the redaction of the sensitive commercial information in the Liquidation Services Agreement and the schedules thereto as set forth in Exhibit "A" of the Wheldon Affidavit is hereby approved *nunc pro tunc*,

12. **THIS COURT ORDERS** that the (i) summary of bids pursuant to the Solicitation Process attached as Confidential Exhibit '1' to the Wheldon Affidavit and (ii) the unredacted Liquidation Services Agreement attached as Confidential Exhibit '2' to the Wheldon Affidavit be kept sealed pending further Order of the Court or the completion of the auction process as outlined within the Liquidation Services Agreement.



ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.:

AUG - 5 2014





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

Applicant

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**APPROVAL AND VESTING ORDER  
(August 5, 2014)**

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

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*Solicitors for the Applicant*

Court File Number: CV-14-10593-00CL

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

KK Precision Inc.

Plaintiff(s)

AND

2215225 Ontario Inc.

Defendant(s)

Case Management  Yes  No by Judge: \_\_\_\_\_

Counsel	Telephone No:	Facsimile No:

- Order     Direction for Registrar (No formal order need be taken out)  
 Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

- Adjourned to: \_\_\_\_\_  
 Time Table approved (as follows):

This is a motion to approve a sale of equipment. The sale parameters were approved by order of this court on June 25, 2014.

The equipment is on leased premises. The Company has agreed to be out of the Premise by the end of September, 2014.

At the time of filing for CCAA

\_\_\_\_\_ Date

\_\_\_\_\_ Judge's Signature

Additional Pages \_\_\_\_\_

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

protection, The Company prepaid rent to the end of September and posted \$100,000 as a security deposit against clean up obligation. ~~that was~~

~~in the face of a~~

Post CCAA, a new landlord acquired the premises. Among other things, the new L was an unsuccessful bidder on the subject Equipment.

The present dispute arises because the L says the Co. cannot possibly vacate the premises leaving them in the "same state of repair and cleanliness as they were in at the commencement of" the lease.

For this reason, the L says the terms of the proposed sale do not comply with the parameters of sale approved by the Court in

Superior Court of Justice  
Commercial List

## FILE/DIRECTION/ORDER

## Judges Endorsment Continued

June 2014.

The problem with the L's argument is that, if I do not approve the sale, there is absolutely no way the Premises will be in the condition required under the lease.

At the moment, the evidence of the Co and the Monitor is that they have in place a process that will enable the Co. to deliver the Premises in the condition they say is required by the lease.

The new L has its doubts about this. But, if I were to accede to the L's request, and refuse to approve the sale, I would be ensuring, as an absolute certainty, that the Co. would be in breach of its obligations and could not deliver

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

The Premises, manhandled by this equipment, on October 1, 2014.

The L accepts that the proposed sale of the equipment is the best deal available.

The L's concern is that the L is being asked to shoulder the risk that the Premises are not ready in time and that the \$100,000 security deposit is insufficient to cover what it thinks are the real environmental clean-up liabilities.

In my view, the sufficiency of the \$100,000 security deposit against environmental liabilities is completely irrelevant to the present dispute. The maximization of the value of the equipment and its timely removal from the Premises, is completely

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

irrelevant to the clean-up obligation relating to possible environmental issues post-hoc.

The L's real complaint is that it has been saying all along that the G. should speed up its auction process, that the G. has suffered delays and that now the L is going to be "left out in the cold" if the G. cannot, in fact, give "clean" possession to the L on October 1, 2014.

This, it seems to me, is a different problem from the equipment sale I am being asked to approve.

There is no suggestion that there will be any contribution of the proceeds of sale (other than to cover the costs of sale). Nor

Court File Number: \_\_\_\_\_

Superior Court of Justice  
Commercial List

**FILE/DIRECTION/ORDER**

Judges Endorsment Continued

is there any suggestion that the Co. or Monitor are being released from any obligations they may have to the L at this stage.

In the absence of any other letter deal (either in terms of value realized or timeliness) out there, I am not prepared to refuse to approve the proposed sale.

The sale as described in the affidavit material and report of the Monitor, is approved.

There is evidence that the bids, if made public, could be adverse to the public interest in maximizing the return on sale, were this transaction not to be concluded. For this

Superior Court of Justice  
Commercial List

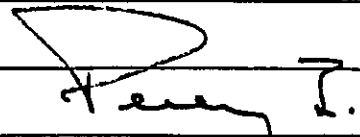
FILE/DIRECTION/ORDER

Judges Endorsment Continued

person, I order ~~the~~ Exhibits 1 and 2 to the Affidavit of Garth Wheldon to be sealed until the transaction is complete.

This order is completely without prejudice to the L's claims and rights relating to its lease and the Co's (or the maintainers) obligations in that regard.

No distribution of the <sup>net</sup> proceeds of sale ~~shall be made~~ (except as otherwise specified in my order) shall be made without notice to the L ~~and~~ or without affording the L a full opportunity to make submissions on the issue.

  
Perry J.  
August 5, 2014



## APPENDIX C

**RICHTER**

Richter Advisory Group Inc.  
181 Bay Street, 33<sup>rd</sup> Floor  
Toronto, ON M5J 2T3  
[www.richter.ca](http://www.richter.ca)

**KK PRECISION INC.**

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR OF  
KK PRECISION INC.**

**JULY 25, 2014**

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ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

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

SECOND REPORT OF RICHTER ADVISORY GROUP INC.  
In its capacity as Monitor of KK Precision Inc.

July 25, 2014

**Introduction**

1. On May 30, 2014, the *Ontario* Superior Court of Justice (Commercial List) (the "**Court**") issued an order (the "**Initial Order**") granting KK Precision Inc. (the "**Company**") protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Richter Advisory Group Inc. was appointed the Company's monitor (the "**Monitor**"). The Initial Order provided the Company with, *inter alia*, a stay of proceedings until June 29, 2014 (the "**Stay Period**"). The proceedings commenced by the Company under the CCAA are herein referred to as the "**CCAA Proceedings**".
2. On June 25, 2014, the Court issued an order (the "**June 25 Order**"), among other things, extending the Stay Period to September 19, 2014, and approving the process commenced by the Company to solicit offers for the Company's business and/or assets (the "**Solicitation Process**"). A copy of the June 25 Order is attached hereto as **Appendix "A"**.
3. The principal purpose of the CCAA Proceedings is to allow the Company to implement an orderly wind-down of its operations. The orderly wind-down includes production activities for a period of time to, among other things, provide key customers with the opportunity to source alternative supply, and to carry out a process to solicit offers from interested parties to purchase the Company's business and/or assets with a view to maximizing value for all stakeholders.

#### Purposes of this Report

4. The purpose of this report (the "**Second Report**") is to provide information to this Court in respect of the following:
- (i) The activities of the Company and the Monitor since the issuance of the Initial Order;
  - (ii) The Company's actual cash flows for the period from May 10, 2014 to July 18, 2014, including a comparison of actual to forecast results;
  - (iii) The results of the Solicitation Process;
  - (iv) The proposed liquidation of the Company's machinery and equipment (the "**Assets**") by Infinity Asset Solutions Inc. ("**Infinity**"), subject to the Court's approval;
  - (v) The key terms of a Liquidation Services Agreement (the "**LSA**") dated July 25, 2014, between the Company and Infinity (the "**Transaction**");
  - (vi) The reasons why the Monitor believes the LSA should be approved by this Honourable Court;
  - (vii) The discussions/negotiations between the Company and 2215225 Ontario Inc. ("**2215225**" or the "**Landlord**") regarding the Company's leased premises located at 104 Oakdale Road, Toronto, Ontario (the "**Premises**"); and
  - (viii) The Monitor's recommendation that this Honourable Court make an order or orders:
    - Approving the LSA and the Transaction, and authorizing and directing the Company to complete the Transaction;
    - Vesting, in the ultimate purchaser or purchasers of the Assets, the Company's right, title and interest in and to the Assets, free and clear of all liens and encumbrances (the "**Approval and Vesting Order**"); and
    - Sealing the Offer Summary (as hereinafter defined) and the unredacted version of the LSA until the closing of the Transaction or upon further order of the Court.

### **Terms of Reference**

5. In preparing this Second Report, the Monitor has relied on unaudited financial information prepared by the Company's representatives, the Company's books and records, discussions with management and discussions with the Company's advisors. The Monitor has not conducted an audit or other verification of such information.
6. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

### **The Company's Activities since the Issuance of the Initial Order**

7. A summary of the Company's activities since the issuance of the Initial Order include:
  - (i) Meeting and corresponding with employees regarding the CCAA Proceedings;
  - (ii) Continuing to manufacture component parts and supply goods to Rolls-Royce Canada Limited and Rolls-Royce Power Engineering PLC (together, "**Rolls Royce**"), Siemens Energy Inc. ("**Siemens**") and Pratt & Whitney Canada Corp. ("**Pratt**") in accordance with the terms of accommodation agreements entered into by the Company with Rolls Royce, Siemens and Pratt, respectively;
  - (iii) Preparing weekly production reports for Rolls Royce in accordance with the terms of the Rolls Royce accommodation agreement;
  - (iv) Communicating with the Landlord and its counsel regarding the Company's lease for the Premises, which expires on September 30, 2014;
  - (v) Communicating with key suppliers to secure goods and services during the CCAA Proceedings and to address payment terms;
  - (vi) Responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;
  - (vii) Reporting receipts and disbursements;
  - (viii) Making payments to suppliers for goods and services received following the issuance of the Initial Order;
  - (ix) Consulting with the Monitor to develop the Solicitation Process;

- (x) Working with the Monitor to satisfy information requests of Prospective Purchasers (as defined below) as well as both scheduling and overseeing site visits for Prospective Purchasers to view and inspect the Company's machinery/equipment; and
- (xi) Negotiating and finalizing the LSA.

**The Monitor's Activities since the Issuance of the Initial Order**

8. Since the date of the Initial Order, the Monitor's activities have included:
- (i) Arranging for notice of the CCAA Proceedings to be published in the Monday, June 9, 2014, edition of the National Post, as required pursuant to the Initial Order;
  - (ii) Sending a notice, within 5 days of the issuance of the Initial Order, of the CCAA Proceedings to all known creditors of the Company;
  - (iii) Establishing a website at [www.richter.ca/en/insolvency-cases/k/kk-precision-inc](http://www.richter.ca/en/insolvency-cases/k/kk-precision-inc), where all materials filed with the Court, and all orders made by the Court in connection with the CCAA Proceedings, are available in electronic form;
  - (iv) Implementing procedures for the monitoring of the Company's cash flows and for ongoing reporting of variances to the Cash Flow Forecast (as hereinafter defined);
  - (v) Assisting the Company in preparing communications to its employees regarding the CCAA Proceedings and participating in a meeting with the Company's management team and employees on June 2, 2014, to discuss the CCAA Proceedings, including its impact on employees;
  - (vi) Assisting the Company in preparing its weekly report to Rolls Royce, including an analysis of the production status for component parts to be delivered to Rolls Royce;
  - (vii) Collecting and dispersing monies received, in trust, from Rolls Royce to the Company in accordance with the terms of the Rolls Royce accommodation agreement;
  - (viii) Assisting the Company in its discussions and negotiations with both Siemens and Pratt regarding the terms of their respective accommodation agreements;

- (ix) Considering processes to market the Company's business and/or assets for sale and assisting the Company in developing the Solicitation Process and communications with interested parties;
- (x) Attending frequently at the Premises and meeting with the Company's management team to discuss the Company's operations and the CCAA Proceedings;
- (xi) Corresponding and communicating extensively with the Company and its legal counsel;
- (xii) Corresponding and communicating with the Bank of Montreal ("**BMO**"), the Company's secured lender, and their legal counsel;
- (xiii) Responding to calls and enquiries from creditors and other stakeholders regarding the CCAA Proceedings;
- (xiv) Assisting the Company in its discussions and negotiations with Infinity regarding the LSA;
- (xv) Assisting the Company and facilitating discussions and negotiations between the Company and the Landlord regarding the Premises; and
- (xvi) Preparing reports to the Court, as required.

**Cash Flow for the Period from May 10, 2014 to July 18, 2014**

9. The Company's cash flow projection for the period May 10, 2014 to September 19, 2014 (the "**Cash Flow Forecast**") was filed with the Court as part of the Company's CCAA application materials. The Monitor reported on the Company's cash flows for the period from May 10, 2014 to June 13, 2014, in its first report dated June 24, 2014 (the "**First Report**").



10. A comparison of the Company's budget to actual results for the 10 weeks ended July 18, 2014, is summarized as follows:

<b>KK Precision Inc.</b>			
<b>Cash Flow Variance Analysis</b>			
<b>10 Weeks Ended July 18th</b>			
	<b>Forecast</b>	<b>Actual</b>	<b>Variance</b>
<b>(\$000's)</b>	<b>18-Jul</b>	<b>18-Jul</b>	<b>\$</b>
<b><u>Cash Receipts</u></b>			
Operating Cash Receipts	\$ 4,982	\$ 2,810	\$ (2,172)
Other	134	64	(70)
<b>Total Cash Receipts</b>	<b>\$ 5,116</b>	<b>\$ 2,874</b>	<b>\$ (2,242)</b>
<b><u>Cash Disbursements</u></b>			
Operating Expenses	(520)	(436)	84
Payroll & Benefits	(682)	(651)	30
Retention Payments	(134)	(158)	(23)
Rent & Property Taxes	(223)	(223)	-
Utilities & Insurance	(72)	(16)	57
Sales Tax Remittances	(214)	-	214
Professional Fees	(352)	(279)	73
Other	(211)	-	211
<b>Total Disbursements</b>	<b>\$ (2,408)</b>	<b>\$ (1,763)</b>	<b>\$ 646</b>
<b>Net Cash Flow</b>	<b>\$ 2,708</b>	<b>\$ 1,111</b>	<b>\$ (1,597)</b>
<b>Cash - Opening Balance</b>	<b>\$ 432</b>	<b>\$ 510</b>	<b>\$ 78</b>
<b>Cash - Closing Balance</b>	<b>\$ 3,140</b>	<b>\$ 1,621</b>	<b>\$ (1,519)</b>

11. As reflected in the above summary table, the Company generated net cash flow of approximately \$1.1 million and had approximately \$1.6 million on hand, net of outstanding cheques, as at July 18, 2014.
12. The principal reasons for the \$1.6 million unfavorable net cash flow variance are:
- (i) The negative variance of approximately \$2.2 million in receipts is due primarily to timing differences related to the delivery of manufactured component parts for Rolls Royce and delays in finalizing the accommodation agreements with Siemens and Pratt. The timing differences related to the delivery of manufactured component parts for Rolls Royce have been largely caused by third party suppliers (the "Suppliers") of required services to the Company (many of which are also creditors of the Company) either suspending the completion of further services to the Company or withholding the release of finished materials to the Company until their claims against the Company had been settled. The Company, with the assistance of Rolls Royce, resolved the issues with the Company's Suppliers and the

Company is working on accelerating its production activities, which is expected to result in the negative variance in receipts reversing by August 30, 2014 (the end date for the Company's production activities). No payments of pre-filing accounts payable were made in order to secure the cooperation of Suppliers; and

- (ii) The positive variance of approximately \$0.6 million in disbursements is due primarily to lower than projected operating expenses and timing differences related to the payment of certain other expenses, including professional fees.
13. The Monitor is of the view that the Company is acting in a manner consistent with its Cash Flow Forecast and there have been no material adverse changes to the Company's operations since the commencement of the CCAA Proceedings. Since the issuance of the Initial Order, the Company has been paying all suppliers based on negotiated terms or upon receipt of invoices. The Company advises that it has not incurred significant unpaid liabilities since the commencement of the CCAA Proceedings.

#### **The Solicitation Process**

14. As noted in the First Report, the Company completed a comprehensive sales process from February to April 2014 (the "**Initial Sales Process**") that generated interest from several parties, but did not result in a firm deal for the sale of the Company's business and/or assets. As such, given the Company's limited liquidity and the fast approaching expiration of the lease for the Premises, the Company, with the assistance of the Monitor, undertook a short sales process as a means of testing the market, gauging interest in the Company and/or its assets, and determining whether a transaction that would result in greater than liquidation value was available.
15. The purpose of the Solicitation Process was to identify one or more purchasers for the Company's business and/or assets. The key aspects of the Solicitation Process and its results are summarized as follows:
- (i) The Company, in consultation with the Monitor, assembled a list of potential interested parties, including many of the strategic/financial parties that participated in the Initial Sales Process and parties that regularly liquidate assets in insolvency proceedings (collectively, the "**Prospective Purchasers**");

- (ii) On June 16, 2014, the Company distributed an offer solicitation letter to the Prospective Purchasers detailing the opportunity to purchase the Company's business and/or assets (the "**Offer Solicitation Letter**"). Included with the Offer Solicitation Letter was a schedule detailing the Company's machinery/equipment. In total, the Company contacted fifty-four (54) parties to advise of the opportunity to acquire the Company and/or its assets. A copy of the Offer Solicitation Letter is attached as Exhibit "B" to the affidavit of Garth Wheldon sworn July 25, 2014, in support of the Company's motion returnable August 1, 2014 (the "**July 25 Wheldon Affidavit**");
- (iii) Prospective Purchasers interested in obtaining additional information regarding the Company's business were required to execute a confidentiality agreement ("**CA**") in order to obtain additional information on the Company's operations. One (1) party executed the CA and was provided with additional information on the Company's operations;
- (iv) The Company, with the assistance of the Monitor, facilitated due diligence efforts by, among other things, coordinating meetings between Prospective Purchasers and the Company and/or scheduling site visits to view and inspect the Company's machinery/equipment;
- (v) Prospective Purchasers were required to submit offers for the Company and/or its assets on or before 5:00 p.m. (Eastern Standard Time) on July 7, 2014 (the "**Offer Deadline**");
- (vi) Six (6) offers (the "**Offers**") to purchase and/or auction the Company's assets were received prior to the Offer Deadline;
- (vii) The Monitor reviewed the Offers with the Company and prepared a schedule summarizing/comparing the Offers (the "**Offer Summary**"). In the event that this Court grants the Approval and Vesting Order, but the Transaction does not close, the Company is of the view that efforts to remarket its assets may be impaired if the Offer Summary and the LSA, which are attached as Confidential Exhibits "1" and "2" to the July 25 Wheldon Affidavit, are made public at this time. In the circumstances, the Monitor believes that it is appropriate for the Offer Summary and the unredacted LSA to be filed with the Court on a confidential basis and sealed until the closing of the Transaction or upon further order of this Court.

## The Transaction

16. Following its review of the Offers, on or about July 11, 2014, the Company and the Monitor contacted Infinity to advise that the Company wished to proceed with its proposal to sell and/or auction the Company's machinery/equipment. Subsequent to notifying Infinity of the Company's desire to proceed with its offer, the Company and its legal counsel, and the Monitor have been working with Infinity and its legal counsel to negotiate a definitive LSA.
17. On July 25, 2014, the Company and Infinity executed an LSA in respect of the Assets.
18. Key elements of the Transaction are as follows:
  - (i) The Assets are to be sold by private and/or public auction/liquidation sales to be conducted from the Premises;
  - (ii) The Assets are to be removed from the premises by no later than September 30, 2014. Following the auction, the Company and Infinity will work cooperatively with each other so that Infinity can efficiently facilitate the removal of the Assets and the Company can complete its remediation obligations with respect to the Premises;
  - (iii) The Assets are being sold on an "as is, where is" basis with no covenants, representations, or warranties of any kind whatsoever, either stated or implied, including, without limitation, as to description, fitness for purpose, suitability, quantity, condition, quality, suitability, durability or marketability;
  - (iv) Within two (2) business days following the execution of the LSA, Infinity is to provide the Company with the deposit monies referred to in the LSA to be held by the Company and credited toward payment of the net minimum guarantee ("NMG"). The balance of the NMG is to be paid to the Company two (2) business days prior to the auction date;
  - (v) Infinity is entitled to charge and collect a buyer's premium on the Asset sales, the payment of which shall not impact or otherwise detract from the NMG;
  - (vi) Where the net sale proceeds are greater than the NMG, the excess, up to the expense amount referred to in the LSA, is to be paid to Infinity, with the remaining balance paid to the Company;

- (vii) The Transaction is subject to Court approval and the issuance of the Approval and Vesting Order.
19. The Monitor is of the opinion that the Transaction represents the best recovery for the Assets in the circumstances and satisfies the factors to be considered pursuant to section 36(3) of the CCAA. In particular, the Monitor is of the view that:
- (i) The Solicitation Process for the Assets was reasonable in the circumstances and approved by the Court;
  - (ii) The Company's limited liquidity coupled with the fact that the lease for the Premises expires on September 30, 2014, substantially eliminates an opportunity to further market the Assets for sale without putting the Transaction at risk and impairing recoveries;
  - (iii) The further remarketing of the Assets would not likely result in greater realizations, as the market has been extensively canvassed and all likely bidders have already been provided with an opportunity to bid on the Assets;
  - (iv) The Transaction represents the best and highest offer received by the Company for the Assets; and
  - (v) BMO was consulted in connection with the Transaction and supports the Transaction.

#### **The Premises**

20. As noted in the First Report, the lease for the Premises expired on April 30, 2014. Prior to the commencement of the CCAA Proceedings, the Company negotiated a lease extension which runs until September 30, 2014 (the "**Lease Extension**"). Subsequent to entering into the Lease Extension, the Premises were sold to 2215225.
21. As also noted in the First Report, in consideration of the timeframe to vacate the Premises following the completion of its production activities, the Company and the Monitor approached the Landlord regarding a possible one-month lease extension for the Premises. On June 16, 2014, the Landlord informed the Company of the terms upon which it would agree to a one-month lease extension to October 31, 2014, which terms were unacceptable to the Company. On June 19, 2014, the Company was informed by the Landlord that it was not prepared to consider a further lease extension beyond September 30, 2014, as the Landlord had other uses for the Premises that are expected to commence October 1, 2014.

22. Following completion of the Solicitation Process and the Company's selection of Infinity as the successful bidder, the Company and the Landlord (with the assistance of the Monitor) have been communicating regarding (i) the Company's requirement to vacate the Premises, including the completion of any required repairs and/or remediation activities, by September 30, 2014, (ii) the Landlord's concerns that the Company will not be able to fulfill its obligations to restore the Premises to an acceptable condition prior to September 30, 2014, and (iii) the possibility of a brief lease extension beyond September 30, 2014.
23. On July 18, 2014, Mr. D. Ullmann of Minden Gross LLP, solicitor for the Landlord, emailed the Monitor and the Company (the "**Landlord's July 18 Email**") to outline the Landlord's position regarding the items that, in the Landlord's view, need to be repaired or restored in accordance with the Company's lease obligations for the Premises (the "**Landlord's Repair List**"). A copy of the Landlord's July 18 Email is attached as Exhibit "E" to the July 25 Wheldon Affidavit. As noted in the Landlord's July 18 Email, the Landlord estimated the aggregate cost to complete the Landlord's Repairs List to be at least \$500,000.
24. On July 24, 2014, the Company, via its solicitor, Dentons Canada LLP, responded to the Landlord's July 18 Email (the "**Company's July 24 Correspondence**") to advise that the Company disagreed with many of the items included on the Landlord's Repair List. The Company's July 24 Correspondence also detailed those repairs which the Company believed it was responsible to complete (the "**Company's Repair List**"), as per its lease obligations for the Premises, and confirmed that, in the Company's view, the \$100,000 security deposit currently being held by the Landlord is sufficient to complete the items included in the Company's Repair List. A copy of the Company's July 24 Correspondence is attached as Exhibit "F" to the July 25 Wheldon Affidavit.
25. The Monitor understands that the lease agreement (including subsequent amendments thereto) between the Company and 104 Oakdale Acquisition Corp., the former landlord for the Premises, dated September 1, 2011 (the "**Lease**") governs, *inter alia*, the Company's responsibilities upon the termination of the Lease and the surrender of the Premises to the Landlord. The Monitor further understands that the Company's position is that, the Lease (a copy of which is attached as Exhibit "D" to the July 25, Wheldon Affidavit) states that the Company is required to restore the Premises to the same state of repair and cleanliness that it was in at the commencement of the Lease in September 2011, reasonable wear and tear excepted.

26. Based on information provided by the Company to the Monitor, including the dates that certain improvements and/or alterations to the Premises were completed, it appears that, based on the Company's interpretation of the Lease, certain of the items included in the Landlord's Repair List relate to the remediation and/or removal of improvements or alterations to the Premises that were in place prior to the commencement of the Lease in September 2011.
27. With respect to the Landlord's concerns regarding the Company's ability to complete the necessary repairs prior to September 30, 2014, the LSA confirms that the Company and Infinity will be working cooperatively with each other to ensure that Infinity can efficiently facilitate the removal of the Assets from the Premises and the Company can complete its remediation obligations with respect to the Premises. In addition, based on information provided by the Company to the Monitor, including estimates for certain repairs to be completed by third parties, it appears that the Company has developed a reasonable plan to ensure all of the Items included on the Company's Repair List should be completed prior to the expiration of the Lease.

#### **Monitor's Conclusions and Recommendation**

28. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the Order(s) granting the relief detailed in paragraph 4(viii) of this Report.

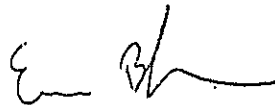
All of which is respectfully submitted this 25<sup>th</sup> day of July, 2014.

Richter Advisory Group Inc.  
in its capacity as Monitor of  
KK Precision Inc.

Per:



Adam Sherman, MBA, CIRP



Eric Barbieri, CPA, CA

## APPENDIX D



**KK Precision Inc.**  
Cash Flow Forecast

From 09/06/2014 to 11/28/2014  
(\$000's)

12-Sep 19-Sep 26-Sep 03-Oct 10-Oct 17-Oct 24-Oct 31-Oct 07-Nov 14-Nov 21-Nov 28-Nov TOTAL

	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
<b>Cash Receipts</b>	\$ 3,265	\$ 1,626	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,891
<b>Cash Disbursements</b>													
Operating Expenses	(30)	(30)	(30)	(30)	-	-	-	-	-	-	-	-	(120)
Payroll & Benefits	-	(42)	-	(39)	-	(12)	-	(12)	-	-	-	-	(105)
Retention Payments	-	-	-	(29)	-	-	-	-	-	-	-	-	(29)
Rent & Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities & Insurance	(10)	-	-	(16)	-	(10)	(6)	-	-	-	-	-	(42)
Sales Tax Remittances	-	-	(243)	-	-	-	-	-	-	-	-	-	(243)
Site Remediation Costs	(35)	-	(150)	-	-	-	-	-	-	-	-	-	(185)
Professional Fees	-	(148)	-	-	-	(93)	-	-	-	-	(113)	-	(353)
Other / Contingency	(10)	(10)	(10)	(10)	(10)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(85)
<b>Total Disbursements</b>	\$ (85)	\$ (230)	\$ (433)	\$ (124)	\$ (10)	\$ (110)	\$ (15)	\$ (23)	\$ (5)	\$ (5)	\$ (118)	\$ (5)	\$ (1,161)
<b>Net Cash Flow</b>	\$ 3,180	\$ 1,396	\$ (433)	\$ (124)	\$ (10)	\$ (110)	\$ (15)	\$ (23)	\$ (5)	\$ (5)	\$ (118)	\$ (5)	\$ 3,729
<b>Cash - opening</b>	\$ 4,499	\$ 7,679	\$ 9,075	\$ 8,642	\$ 8,519	\$ 8,509	\$ 8,399	\$ 8,384	\$ 8,361	\$ 8,356	\$ 8,351	\$ 8,233	4,499
<b>Cash - closing</b>	\$ 7,679	\$ 9,075	\$ 8,642	\$ 8,519	\$ 8,509	\$ 8,399	\$ 8,384	\$ 8,361	\$ 8,356	\$ 8,351	\$ 8,233	\$ 8,228	\$ 8,228

**Notes:**

1. Primarily comprised of collections (including HST) on completed component parts delivered to Rolls Royce, sales (including HST) of WIP parts to Rolls Royce, proceeds from the sale of intellectual property to Rolls Royce, reimbursement of employee retention payments from Rolls Royce, and Infinity's payment of the net minimum guarantee associated with the auction of the Company's assets.
2. Includes payment of all post-filing APV as well as estimated costs for document storage/destruction, equipment leased during September and all other operating costs required to wind down the Company's operations.
3. Primarily represents payroll costs and retention payments related to the seven remaining employees assisting with post-production wind down activities.
4. Includes estimated costs for repairs the Company has agreed to make to the Premises prior to vacating the Premises on September 30, 2014.
5. Reflects a \$10,000 per week contingency amount for the first five weeks in the forecast, and \$5,000 per week thereafter.

## APPENDIX E

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**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.**

**AFFIDAVIT OF T.J. TERSIGNI  
(sworn July 30, 2014)**

**I, T.J. TERSIGNI, of the City of Toronto, in the Province of Ontario, MAKE  
OATH AND SAY:**

1. I am the president and CEO of 2215225 Ontario Limited (the "Landlord"), the landlord of 104 Oakdale Rd and as such have personal knowledge of the matters to which I hereinafter depose. Where the information contained in this affidavit was provided to me by others, I verily believe it to be true.

2. I make this affidavit to advise the Court of the unfair prejudice to the Landlord arising from the proposed approval of the Liquidation Services Agreement between K.K. Precision Inc. ("KKP") and Infinity Assets Solutions Inc. ("Infinity") and to seek relief related thereto.

***BACKGROUND***

3. 104 Oakdale Rd (the "Premises") is a free standing single purpose industrial building located in Northern Toronto. It is occupied by KKP. There are no other tenants.

4. The Premises is composed of a large single building which occupies approximately 28,000 sq ft. on 1.88 acres, which houses a large industrial space, a basement, an enclosed office area, a chemical services and testing area, and other machining areas. The exterior includes a fenced-in holding area for product and parts storage, a large parking lot and loading area at the rear of the building and a smaller but still large parking area at the front of the building.

5. Currently there are approximately five (5) large ocean shipping containers on the rear parking area. Certain solvents and chemicals appear to be stored in large translucent plastic storage containers which are in an open area in the rear parking lot.

6. KKP is in the midst of a restructuring under the Companies' Creditors Arrangement Act. KKP is engaged in ongoing manufacturing operations on the Premises to meet their obligations under several different accommodation agreements which they have presented to the Court.

7. KKP has occupied the Premises in excess of 20 years. Most recently, KKP entered into a lease agreement for the Premises dated September 1, 2011 (the "Lease"). The Lease would have expired in April 30, 2014, but for an extension entered into by the then owner of the property 104 Oakdale Acquisition Corp. (the "Former Landlord"). A copy of the lease is attached hereto as **Exhibit "A"**.

8. On May 1, 2014, KKP entered into a lease extension (the "Lease Extension") with the Former Landlord. A copy of the Lease Extension is attached hereto as **Exhibit "B"**.

9. We were not party to those negotiations. However, on its face, the Lease Extension is clear about two main points of agreement. First, that the tenant would be responsible for restoring the Premises at the end of the term (notwithstanding

the impending insolvency proceedings of which the parties were presumably aware). Second, that the tenant would have no rights to the Premises after September 30<sup>th</sup>, 2014.

10. Notwithstanding that this agreement was completed on May 1, 2014, KKP did not file for its protection under the CCAA for almost a month.

11. Separately, the Landlord entered into negotiations to acquire the Premises. We purchased the Premises on June 2, 2014, two days after the commencement of the CCAA proceedings. The closing of the transaction included an Assignment and Assumption of Lease, dated June 2, 2014 under which the Lease was assigned to the Landlord.

12. The Initial Order in these proceedings dated May 30, 2014 confirmed that the current lease term expired on September 30, 2014. It was expressly understood that we would have the use of the Premises as of October 1, 2014.

13. I own other industrial businesses and intend to occupy the Premises to continue and expand those operations. We have made arrangements to move the necessary machines and equipment into the Premises as of October 1, 2014 and have made other commitments related to that time frame.

14. I have had the opportunity to review the Affidavit of Mr. Wheldon dated July 25, 2014. It is not accurate that we have agreed to offer an extension to allow KKP to continue to occupy the Premises. We expect to receive the Premises back on October 1.

## *RESTORATION OBLIGATIONS*

15. Pursuant to the lease, KKP is obliged to restore the Premises and to clean the Premises. Its specific obligations are separated into two categories in the Lease: i) those related to restoring damage or changes made by the tenant to the Premises and ii) those related to any environmental issues related to the Premises.

16. Pursuant to the Lease, paragraph 2.3, KKP is obliged:

“...to vacate and surrender the Premises in the same state of repair and cleanliness as they were in at the commencement of the Term, reasonable wear and tear accepted, and the Tenant will restore the Premises accordingly...”

17. Nothing in the Lease or Lease Extension releases KKP from any other obligations which KKP might have to the Landlord in respect of damage done to the Premises caused by KKP prior to the commencement of the term of the Lease. To the extent KKP damaged the Premises prior to the commencement of the current Lease, KKP remains liable for same.

18. We are holding a security deposit in the amount of \$100,000.00 as provided by KKP to the Former Landlord under the Lease Extension. The Lease Extension is very clear that the \$100,000.00 is not intended to be an exhaustive remedy or a cap.

19. The Lease Extension states at section c) vi:

“for clarity, the Tenant shall remain responsible for all of its obligations contained in the Lease Agreement and the Security

Deposit is not a substitute or an exclusive remedy for such obligations”

20. With respect to the environmental obligations of KKP to the Landlord, Paragraph 7.1 of the Lease states:

“Tenant shall:

- a) Comply with all Environmental Laws governing the release of Hazardous Substances, if any such Release occurs on the Leased Premises as a result of the Tenant’s occupancy of the Leased Premises.”

21. “Hazardous Materials” and “Release” are each defined terms in the Lease with very broad language.

22. When combined with the KKP’s obligations to clean the Premises, plus a Tenant’s common law obligations to the Landlord, KKP is therefore obliged to deal with any environmental hazards, spills or contamination related to the Premises during its occupation and upon vacating the Premises.

23. On June 16<sup>th</sup>, 2014, I became aware as a result of a mailing from KKP, that KKP intended to conduct an auction to sell the equipment on the Premises and to vacate the Premises by Sept 30<sup>th</sup>, 2014. Through our counsel, we communicated to KKP and the Monitor our concern that this timeline was unrealistic, given the nature of the building, the assets, and the restoration obligations.

24. Our counsel reminded KKP that it was required not only to vacate the Premises by September 30<sup>th</sup>, 2014, but also that it is required that the Premises be

cleaned and made ready by that date. A copy of the letter from our counsel to that effect, dated June 19, 2014, is attached hereto as **Exhibit "C"**.

25. After the announcement by KKP that it intended to require parties to exit the Premises by Sept 30, 2014, I was approached by several proposed auctioneers. No fewer than 4 different auctioneers advised me that, in their opinion, it was somewhere between impractical and impossible to complete a proper auction within the time period then being offered.

26. One such entity, AccuVal- LiquiTec contacted our counsel, initially by phone and then later by email on June 25<sup>th</sup>. A copy of that email exchange is attached hereto as **Exhibit "D"**. The auctioneer in question clearly indicated,

"Last we spoke you were going to speak with your client with regard to how much he wants for rent on a weekly basis for the facility. As discussed, due to the time constraints on the deal we'll need more time to conduct a proper sale. "

27. Given our concern that insufficient time was available for KKP's plans, we made a without prejudice offer to KKP to negotiate an extension of the Lease (mindful of the assistance that would provide KKP and the costs we would have to incur to provide this extension). That offer was rejected. We confirm that that offer is no longer open for acceptance.

28. Our counsel attended court at the hearing to approve the sale process on June 25<sup>th</sup>, 2014 and expressed these concerns. Our counsel's letter of June 19<sup>th</sup>, outlining these concerns was in the materials before the Court.

29. In response to these concerns the Court required KKP to return to Court on July 14<sup>th</sup> to report on the progress of the sale process.



30. The machines in question which are to be sold are not insignificant. Several occupy space in excess of 8 square meters, with the largest machines occupying space in excess of 15 square meters. Each major machine (there are over a dozen) is located in or on pits cut into the floor of the building. The pits are covered with black chemical ooze and residue that I am concerned is hazardous and fragments of waste product from the manufacturing.

31. I am deeply concerned with what will be found when the machines are removed and the pits explored. This cannot currently be done with the machines in place. We feel this potential environmental issue will have to be addressed prior to filling in the pits.

32. Given that, in my view it was impossible for an auctioneer to complete an auction and carefully meet the repair obligations, the Landlord submitted a bid to acquire the assets of KKP. That bid included a waiver and release from the landlord of the obligations of KKP to the landlord which we valued at \$500,000.00.

33. On July 14<sup>th</sup>, KKP returned to Court and reported that a bidder had been selected (although the deal was not yet then finalized), that the bidder was not the Landlord, and that the bidder and KKP remained committed to the September 30, 2014 deadline.

34. In response to concerns articulated at the June 25<sup>th</sup> hearing that the proposed timeline was unrealistic, the Monitor advised the Court at the June 25<sup>th</sup> hearing, that they intended to suspend production for a few days in the second last week or last week of August, and that they intended to conduct the auction over a weekend. This was required to provide sufficient time for KKP to meet its obligations once the auction was complete.

35. However, this has proven to be optimistic. KKP was delayed for whatever reason in reaching an agreement with Infinity until July 25, 2014. As a result, KKP and Infinity lost two crucial weeks during which the auction might have been prepared and held in August.

36. The proposed auction date is now September 10<sup>th</sup>, 2014, provided the Court approves same.

37. There is now insufficient time to conduct the auction and attend to the obligations under the Lease.

38. Infinity shares this view. They approached the Landlord, as recently as July 17<sup>th</sup>, 2014 and advised that they required an extension in order to properly conduct an auction and meet their obligations. They offered the Landlord \$150,000 in exchange for an extension of the Lease of one month. This was rejected.

#### ***DISPUTE WITH LANDLORD***

39. There is also insufficient time in which to fairly deal with material disputes which have arisen in respect of the Lease and the extent of the tenant's obligations.

40. On July 16<sup>th</sup>, 2014 I attended at the Premises to conduct a preliminary inspection. I observed several matters of concern.

41. Following that inspection we had a without prejudice meeting among, Mr. Wheldon, our counsel, counsel for KKP and the Monitor.

42. We were not able to reach a resolution on several key issues. I was not persuaded by Mr. Wheldon's view of these issues. I do not believe him to be an objective party in this matter.

43. We have suggested that an independent expert be retained to review the Premises and opine on the restoration obligations. This has not yet been done, given the time constraints, although KKP has recently offered that one attend at some point in the future.

44. On July 18, 2014 we sent an email (attached as **Exhibit "E"**) setting out the issues which I observed and seeking a resolution.

45. KKP took a week to respond. Their response (which in fact responds only to some but not all of the issues raised) is attached hereto as **Exhibit "F"**. In this letter, KKP offered to pay costs beyond those covered by the security deposit, but the extent of those costs, and the items to be repaired, differs from the list provided by the Landlord.

46. It is clear that there are significant facts in dispute including:

- i. the condition of the Premises as of the commencement of the Lease;
- ii. the obligations of KKP for matters arising prior to the 2011;
- iii. the environmental issues;
- iv. the definition of "wear and tear"; and
- v. what constitutes a reasonable repair to the pits in the floors;
- vi. the scope of repairs required; and
- vii. the timing and cost of repairs.

47. The affidavit of Mr. Wheldon sworn July 25<sup>th</sup>, 2014 provides little information on these issues, other than confirming the existence of the dispute.

48. We note that the environmental reports appended to his affidavit are at least a year old, and they do not address the conditions inside of the building. They are not sufficient to allay our concerns.

49. We note that while KKP is attempting to make an issue as to whether or not the restoration obligations date back only to 2011 (which is not accepted), there is no argument made that the environmental restoration requirements are so limited.

50. We have not yet had the opportunity to conduct an environmental review, which the Company admits in its letter of July 24, 2014 will take at least 6 weeks to complete.

51. We have not yet seen a timeline from KKP as to how they intend to attend to complete even the repairs which they admit are necessary, although we requested same on July 18, 2014

52. I am concerned that KKP is seeking to approve an offer which requires only the removal of the assets by September 30<sup>th</sup>. If assets are removed on September 30<sup>th</sup>, there will be no time for the cleaning and restoration of the Premises.

53. I am advised by our counsel that litigation such as the parties potentially face here, concerning the obligations of an industrial tenant who vacates a Premises without agreement from the landlord, can take several years to resolve. KKP is seeking to summarily resolve this issue with an order of the Court on four (4) days' notice.

54. It is a term of the sale process that the building be vacated and restored by KKP by September 30, 2014. Under the proposed Liquidation Services Agreement, this cannot be met.

55. The Liquidation Services Agreement allows for assets to be left on the Premises (section 3.04), exempts Infinity from filling holes in the floor, walls or roof, or from dealing with debris, paper, materials etc. which are not sold by the Infinity.

56. The Liquidation Services Agreement grants Infinity until September 30, 2014 to remove the assets. This potentially leaves no time for remediation of the property, inspection, or resolution of disputes.

57. The Liquidation Services Agreement imposes different restoration obligations on Infinity than the obligations to which KKP is subject, which can lead to confusion and to tasks not being done correctly or promptly.

58. We are concerned that because the September deadline is now likely difficult to impossible to meet, that restoration work will not be able to be done properly, even with the best of intentions.

59. We remain of the view, as per our letter of June 19, 2014, that the proper date for the removal of the assets should be no later than September 15, 2014. If the offer of Infinity cannot be amended to meet that timeline, it should not be approved by the Court.

### ***SECURITY REQUIRED***

60. Regardless of whether or not the Infinity offer is approved, we anticipate at this time that the costs necessary to properly restore the Premises are in the amount

of approximately \$500,000.00 (assuming that nothing is further damaged during the removal of the equipment after the auction). KKP does not agree, but acknowledges in its letter of July 24<sup>th</sup> that the costs might exceed the \$100,000 already pledged, even for the smaller list of concerns they are willing to acknowledge.

61. We will ask the Court to make an order granting the Landlord a priority charge over the sale proceeds in the amount of \$500,000, to be held by the Monitor, pending the resolution of the issues set out herein. This amount would be applied to pay damages and costs related to resolving this issue.

62. We will also be seeking an order confirming that the stay imposed in these CCAA proceedings shall be lifted to allow the Landlord to occupy the Premises as of 12:01 AM October 1, 2014. Further, the Landlord shall be entitled to dispose of any property of KKP which remains on the Premises at that time, in its sole discretion, and to hold KKP liable for such restoration costs as it incurs with respect to the Premises thereafter (subject to KKP's right to argue the applicability of those costs to their obligations).

63. I make this affidavit to advise the Court of the concerns of the Landlord and to seek security for such damages as may be suffered by the Landlord from the proposed sale, and for no other or improper purpose.

SWORN before me at the City )

*John Vaughan* )  
of Toronto, in the Province of )  
Ontario, this day of July, 2014 )  
*[Signature]* )  
Commissioner for Taking Affidavits )  
#2228900 v2 )

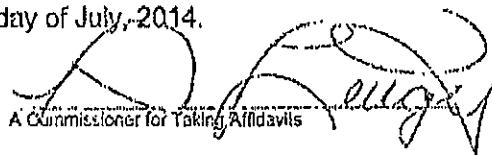
*[Signature]*  
T.J. TERSIGNI

Padua Tina Terenzi, a Commissioner, etc.,  
Province of Ontario, for Minden Group LLP,  
Debtors and Sufferors.  
Expires July 9, 2015.

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This is Exhibit "A" referred to  
in the Affidavit of T.J. TERSIGNI

Sworn this 30th  
day of July, 2014.

  
A Commissioner for Taking Affidavits

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Pauline Erin Legeb, a Commissioner, etc.,  
Province of Ontario, for Milden Gross LLP,  
Barristers and Solicitors.  
Expires July 4, 2015.

## LEASE

THIS LEASE is made as of the 1<sup>st</sup> day of September, 2011.

BETWEEN:

104 OAKDALE ACQUISITION CORP.  
(the "Landlord")

OF THE FIRST PART

- and -

KK PRECISION INC.  
(the "Tenant")

OF THE SECOND PART

This Lease is made between the Landlord and the Tenant and constitutes a lease between the parties of the leased premises hereinafter described on the terms and with and subject to the covenants and agreements of the parties hereinafter set out:

### ARTICLE 1 – DEFINITIONS

In this Lease the following defined terms have the meanings indicated:

- 1.1 "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.
- 1.2 "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.
- 1.3 "Environmental Liabilities" means the presence of any Hazardous Substance on the Leased Premises regardless of whether such Hazardous Substances are discovered following the date of this Lease.



- 1.4 "Environmental Permit" shall mean any permit issued, granted or required under or in connection with any Environmental Laws.
- 1.5 "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.
- 1.6 "Improvements" means buildings, structures and other fixed improvements, including Leasehold Improvements;
- 1.7 "Landlord" means 104 Oakdale Acquisition Corp. and its successors and assigns;
- 1.8 "Lands" means the lands known municipally as 104 Oakdale Road, Toronto, Ontario, which consist of approximately 1.8 acres being Plan M770, Lot 125 Lot 126, North York, Ontario;
- 1.9 "Lease" means this lease, including any schedules attached hereto, and any amendments to such lease from time to time;
- 1.10 "Leased Premises" means the Lands together with all improvements now or hereafter erected on the Lands;
- 1.11 "Leasehold Improvements" means all fixtures, improvements, installations and additions from time to time made, erected or installed in the Leased Premises with the exception of trade fixtures, and furniture and equipment not of the nature of fixtures, but includes all partitions however affixed, including moveable partitions, all systems for the supply and operation of utilities, all carpeting, drapes and decorations of any kind, lighting fixtures and built-in furniture and furnishings;
- 1.12 "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.
- 1.13 "Rent" means the rent payable pursuant to Section 3.1(a);

- 1.14 "Real Property Taxes" means all taxes (including local improvement rates), rates, duties and assessments that may be levied, rated, charged or assessed against the Leased Premises or any part thereof, save and except for corporate income tax of the Landlord;
- 1.15 "Sales Taxes" means all harmonized, goods and services, business transfer, multi-stage sales, sales, use, consumption, value added or other similar taxes imposed by the Government of Canada or any province or local government upon the Landlord or the Tenant in respect of this Lease or the payments made by the Tenant hereunder or the goods and services provided by the Landlord hereunder, including, without limitation, the rental of the Leased Premises by the Tenant;
- 1.16 "Tenant" means KK Precision Inc. and its successors and permitted assigns; and
- 1.17 "Term" means the term of this Lease as specified in Section 2.1.

## ARTICLE 2 – DEMISE AND TERM

### 2.1 Demise of Leased Premises and Term

In consideration of the rents, taxes and other payments, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be respectively paid, observed and performed, the Landlord does demise and lease the Leased Premises, for the sole use as a manufacturing facility and offices in accordance with all applicable laws, by-laws and regulations, unto the Tenant, to have and to hold for the Term of one (1) year commencing on September 1, 2011 and ending on August 31, 2012.

### 2.2 Extension

This Lease may be extended for a further one (1) year term ("Renewal Term") on the same terms and conditions as contained herein at the Tenant's option on ninety (90) days written notice prior to the expiry of the Term. The Tenant shall have the right to terminate the Lease during the Renewal Term upon ninety (90) days written notice to the Landlord.

### 2.3 Surrender of Leased Premises

Upon the expiration or sooner termination of this Lease (including, but not limited to, at the expiry of the Term or if extended at the expiry or termination of the Renewal Term), the Tenant shall vacate and surrender to the Landlord the Leased Premises in the same state of repair and cleanliness as they were in at the commencement of the Term, reasonable wear and tear excepted, and the Tenant will restore the Premises accordingly. The Tenant will remove any and all such fixtures and other items that Landlord may identify from the Leased Premises and restore the

Leased Premises accordingly. Notwithstanding the foregoing, Tenant's obligation to remove fixtures and other items will not apply to any fixtures or items that were so placed or installed in or on the Leased Premises prior to the commencement of the Lease. For clarity, (i) the Tenant may, at its option, but shall not be required to remove the cranes, compressors or outside storage fence, (ii) Tenant shall be required to fill in the machine foundations and power wash the floors and walls; provided, however, the Tenant shall only be responsible for any costs of filling in the machine foundations and power washing up to a maximum of \$50,000 (the "Foundation and Floor Costs"). The Tenant shall use commercially reasonable efforts to minimize the Foundation and Floor Costs. Any damage due to the Tenant's (or its subsidiaries, subcontractors, employees, officers, directors, consultants, shareholders, associates or affiliates) operations or actions, removal of machinery or other fixtures prior to or at the end of the Term or the Renewal Term (as same may be extended) shall be repaired by and at the cost of the Tenant.

### ARTICLE 3 - RENT

#### 3.1 Rent

- (a) Commencing on the commencement of the Term and thereafter during the Term and the Renewal Term, the Tenant shall pay, without any set-off, abatement or deduction, to the Landlord an annual "Base Rent" equal to one hundred twenty six thousand Canadian dollars (C\$126,000) plus all costs relating to the Leased Premises, including without limitation, utility, operating, maintenance, repair and replacement and insurance expenses and property taxes (the aforementioned non Base Rent amount constituting "Additional Rent", with Additional Rent and Base Rent constituting "Rent").
- (b) Rent shall be payable by equal monthly instalments in advance on the first day of each calendar month, except, that to the extent applicable, the first payment shall be due upon the commencement of the Term and shall include payment for the first partial calendar month (pro rated) and the first full calendar month. Additionally, a deposit for the final month of the Lease shall be due upon the commencement of the Term.
- (c) The Tenant shall pay to the Landlord all Sales Taxes.

#### 3.2 Interest

In every case where the Tenant shall fail to pay the Landlord Rent or any other payment in accordance with the terms of this Lease when due or shall pay an amount which is thereafter determined, estimated or found to be less than the amount properly due, the Tenant shall pay the Landlord interest at a per annum rate of twelve percent (12%).

3.3 Net Lease

It is the intent of the parties hereto that the Rent payable under this Lease is absolutely net to the Landlord. Any amount and any obligation which is not expressly declared herein to be that of the Landlord pertaining to the Leased Premises shall be deemed to be the obligation of the Tenant to be performed by and/or at the expense of the Tenant. If any payment or expense due by the Tenant in accordance with the terms of this Lease or any obligation of the Tenant required to be performed in accordance with the terms of this Lease is not paid or performed, respectively, by the Tenant when required to do so, then upon reasonable prior notice to the Tenant, the Landlord may pay the same or perform the obligations, respectively, and such amounts paid or the cost of performing such obligations, respectively, together with, in any case, all costs and expenses incurred by the Landlord in connection therewith, shall be payable by the Tenant to the Landlord upon demand.

**ARTICLE 4 – REAL PROPERTY TAXES**

4.1 Payment of Real Property Taxes by the Tenant

Without limiting the generality of Section 3.3, the Tenant shall promptly pay when due and payable to the municipality or taxing authority having jurisdiction all Real Property Taxes on or in respect of the Leased Premises falling which, upon reasonable prior notice to the Tenant, the Landlord may pay the same to such authority and such amount paid, together with all costs and expenses incurred by the Landlord in connection therewith, shall be payable by the Tenant to the Landlord upon demand. The Tenant shall also promptly pay when due and payable, to the taxing authority having jurisdiction, all business taxes, rates and levies imposed on the Tenant in respect of any business carried on in, or the use and occupancy of, the Leased Premises.

**ARTICLE 6 – UTILITIES**

5.1 Utilities

Without limiting the generality of Section 3.3, the Tenant shall pay or cause to be paid to the utility supplier as and when invoiced all charges incurred in respect of the Leased Premises for water, sewer, gas, electricity, light, heat and power and for telephone, protective and other communication services and for all other public or private utility services, which shall be used, rendered or supplied upon, to or in connection with the Leased Premises or any part thereof at any time during the Term or the Renewal Term.

**ARTICLE 6 – REPAIRS,  
MAINTENANCE AND ALTERATIONS**

**6.1 Repairs and Maintenance Obligations**

Without limiting the generality of Section 3.3, the Tenant, at its sole cost and expense, shall maintain and keep the Leased Premises and every part thereof in good order and condition and promptly make or perform all needed maintenance, repairs and replacements thereto (including, without limitation, repairs and replacements to structures, improvements or betterments).

With regards to structural issues of the Leased Premises, notwithstanding the above, the parties agree to the following:

- (i) The Tenant shall pay for regular maintenance of the Leased Premises, including maintenance on the structure.
- (ii) The Tenant shall be responsible for any structural issues, repairs or restoration caused by Tenant's failure to comply with (i) above or by any actions of the Tenant.
- (iii) The Landlord shall be responsible for direct costs of any structural maintenance, repairs or replacements where the conditions resulting in such structural maintenance, repairs or replacements exist as of the date of this Lease or where such conditions arise after the date of this Lease other than as a result of Tenant's failure to comply with (i) above or by any actions of the Tenant.
- (iv) Pursuant to Section 7.1 of this Lease, the Tenant is required to maintain insurance for the entire Leased Premises (including the structure), and in the event of any damage to the structure of the Leased Premises, the insurance proceeds shall be looked to first for the costs of repair.

**6.2 Tenant's Alterations**

If at any time and from time to time the Tenant shall at its own expense desire to make changes, including, without limitation, alterations or improvements in or to the Leasehold Improvements or other portions of the Leased Premises, it shall perform such work in accordance with good engineering practice and in a workmanlike manner using high quality materials and with Landlord's prior written approval, which may be withheld by Landlord in its sole discretion. The Tenant shall in every case secure any and all necessary approvals of and permits for the related work from the authorities having jurisdiction and shall maintain adequate insurance for such work.

## ARTICLE 7 – INSURANCE, RELEASE AND INDEMNITY

### 7.1 Tenant's Insurance, Release and Indemnity

The Tenant shall throughout the Term, and if applicable, the Renewal Term (as same may be extended), provide and keep in force comprehensive general public liability insurance (in an amount of not less than C\$5,000,000 for any one occurrence), fire insurance (on an "all risks" coverage basis and on the entirety of the Leased Premises (including, without limitation, on all structures and improvements located thereon or therein) in an amount not less than the full replacement cost thereof), broad form boiler and pressure vessel insurance (on a blanket repair and replacement basis), and business interruption insurance. Without limiting anything else contained herein, all insurance coverage shall be in amounts which are at least in line with industry standards for prudently operated businesses comparable to the Tenant's business and in accordance with the past practice of KK Precision Inc. and its affiliates. The Landlord shall be named first loss payee on the "all risks" and boiler and pressure vessel insurance and additional insured on the general public liability insurance. Except with respect to Environmental Liabilities which are addressed below, the Tenant hereby releases the Landlord and those for whom the Landlord is responsible from any and all liability related in any manner to matters for which the Tenant did or could have procured insurance, including, without limitation insurance not specified in this Lease but publicly available. Except with respect to Environmental Liabilities which are addressed below, the Tenant hereby agrees to indemnify and save Landlord harmless for and from all costs, including, without limitation, legal costs on a substantial indemnity basis, related in any manner to (i) any default by Tenant under this Lease, (ii) the negligent acts or omissions of the Tenant and its agents, employees, officers, directors, shareholders, advisors, invitees, contractors and all those for whom the Tenant is responsible, and (iii) the occupancy of the Leased Premises by Tenant. . Except with respect to Environmental Liabilities which are addressed below, the Tenant hereby agrees to indemnify and save the Landlord harmless for and from any actual, in-kind, special and other damages (including, but not limited to, loss of business) to the Tenant due to any and all factors not reasonably in the control of the Landlord and not caused by the gross negligence of Landlord, or its agents, employees, officers, directors, shareholders, advisors, invitees, contractors and all those for whom the Landlord is responsible, including, but not limited to, loss of power, water damage, damage to the Tenant's property howsoever caused and similar matters.

Landlord agrees that it will not assert that Tenant is liable for any Environmental Liabilities as a result of the occupancy by Tenant of the Leased Premises or the operations of the Tenant's business on the Leased Premises after the date of this Lease unless the Tenant does not comply with the following paragraph and such non-compliance is the cause of the applicable Environmental Liabilities.

Tenant shall:

(a) comply with all Environmental Laws governing a Release of Hazardous Substances if any such Release occurs on the Leased Premises as a result of the Tenant's occupancy of the Leased Premises;

(b) promptly notify Landlord of any Release of Hazardous Substances if any such Release occurs on the Leased Premises as a result of the Tenant's operation of its Business on the Leased Premises; and

(c) maintain, comply with, and renew any Environmental Permits currently maintained by Tenant as required by Environmental Laws.

In the event of any substantial damage to the Leased Premises (such damage being ten percent (10%) or more of any tenanted building on the Leased Premises or twenty percent (20%) or more of the Leased Premises), then the Tenant shall have the right to terminate this Lease on thirty (30) days written notice to the Landlord or request that the Landlord restore the Leased Premises, but only to the extent that the costs of repair or restoration are fully covered by the insurance proceeds received on the Tenant's policies, and the Tenant shall have the right to abate its Rent during the time of repair. In the event of any serious damage to the Leased Premises (such damage being fifty percent (50%) or more of the Leased Premises), then the Landlord or the Tenant may terminate this Lease upon thirty (30) days written notice to the other party (but in any case the Landlord shall be entitled to the full amount of the insurance proceeds from the Tenant's policies in order to repair or restore the Leased Premises).

#### ARTICLE 8 -- RIGHTS ON DEFAULT

##### 8.1 Rights on Default

If and whenever the Tenant shall have breached or failed to comply with any of its covenants and agreements contained in this Lease, and shall have failed to remedy such breach or non-compliance within sixty (60) days after written notice thereof given by the Landlord to the Tenant (provided however that no time for the remedying of such breach or non-compliance shall or need be given or allowed where the breach or non-compliance is one not reasonably capable of being remedied within this sixty (60) day period), then and in every case it shall be lawful for the Landlord at any time thereafter, at its option and upon notice to the Tenant, to enter into and upon the Leased Premises or any part thereof in the name of the whole and to terminate this Lease or to exercise any of Landlord's other rights in law and in equity or (to the extent permitted by law) both, including but not limited to the right of the Landlord to evict the Tenant and/or its affiliates.

## ARTICLE 9 – ASSIGNMENT AND TRANSFER

### 9.1 Transfer by the Landlord

To the extent that any purchaser or transferee from or of the Landlord has become by written agreement bound and covenanted to perform the covenants of the Landlord under this Lease, the Landlord shall without further agreement be freed and relieved of liability upon such covenants and obligations.

### 9.2 Subordination and Attornment by the Tenant

This Lease is subject and subordinate to (but at the option of the Landlord or any mortgagee or encumbrancer of the Leased Premises shall be attorned and the Tenant bound to) any mortgage or other encumbrance which may now or at any time hereafter affect the Leased Premises. The foregoing provisions are declared to be self-operative and no further instruments shall be required to effect such subordination and/or attornment; provided, however, that subordination of this Lease to any present or future mortgage or other encumbrance shall be conditioned upon the mortgagee, beneficiary, encumbrancer or purchaser at foreclosure, as the case may be, agreeing in writing that Tenant's occupancy of the Leased Premises and other rights under this Lease shall not be disturbed by reason of the foreclosure of such mortgage or other encumbrance, as the case may be, so long as Tenant is not in default under this Lease. On request at any time and from time to time of the Landlord or of any such mortgagee or encumbrancer of the Leased Premises the Tenant covenants and agrees to either (i) attorn to such mortgagee or encumbrancer and become bound to it as its tenant of the Leased Premises for the then unexpired residue of the Term and, if applicable, the Renewal Term (as same may be extended) upon the terms herein contained (subject always to the respective priorities as between themselves of mortgagees or encumbrancers who from time to time request such attornment), or (ii) postpone and subordinate this Lease to such mortgage or other encumbrance with the intent to give effect to the foregoing. Whenever requested from time to time by the Landlord or any mortgagee or from any encumbrancer of the Leased Premises, the Tenant shall promptly execute and deliver to the party requesting the same a certificate or acknowledgment as to the status and validity of this Lease and the state of the rental account hereunder and such other information as may reasonably be required.

### 9.3 Assignment or Subletting by the Tenant

The Tenant shall not, without the prior written consent of the Landlord, which consent may be arbitrarily withheld, assign, encumber or mortgage this Lease or any part thereof or sublet all or any part of the Leased Premises and any such consent given in any one instance shall not relieve the Tenant of its obligation to obtain the prior written consent of the Landlord to any further assignment, encumbrance, mortgage or sublease. Notwithstanding the prior sentence, the Tenant shall be permitted to collaterally assign the Lease to one or more lenders of Tenant. Any Landlord consent to any transfer of Tenant rights shall not release Tenant from the performance of all its obligations hereunder.



9.4 Successors and Assigns

All the obligations imposed upon either party hereto shall extend to and be binding upon, as applicable, all successors, assigns, subtenants and encumbrancers of such party.

**ARTICLE 10 – MISCELLANEOUS**

10.1 Governing Law

This Lease shall be construed and governed by the laws of the Province of Ontario.

**IN WITNESS WHEREOF** the parties hereto have executed this Lease.

Landlord:

**104 OAKDALE ACQUISITION CORP.**

By: 

Name: Jesse Gill

Title: VP

Tenant:

**KK PRECISION INC.**

By: 

Name: CARTH A. WHITFORD

Title: PRESIDENT

## AMENDMENT TO LEASE

THIS AMENDMENT TO THE LEASE (the "Amendment") is entered into as of the 14 day of February, 2013, by and between 104 Oakdale Acquisition Corp., an Ontario corporation, (the "Landlord"), and KK Precision Inc., an Ontario corporation (the "Tenant").

WHEREAS, the Landlord and the Tenant entered into that certain Lease dated as of September 1, 2011 (the "Lease") (capitalized terms which are not defined herein shall have the meaning ascribed to them in the Lease); and

WHEREAS, certain parties which are related to the parties hereto desire to amend other agreements which were entered into on or about the date of the Lease; and

WHEREAS, the parties hereto desire to effectuate such amendments to the Lease as are detailed herein;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration received:

1) Amendments. The Landlord and the Tenant hereby agree to amend the Lease as follows:

a) The following language in Section 2.1 of the Lease is deleted in its entirety:

"...to have and to hold for the Term of one (1) year commencing on September 1, 2011 and ending on August 31, 2012."

and is replaced by the following language:

"...to have and to hold for the Term commencing on September 1, 2011 and ending on April 30, 2014."

b) The language in Section 2.2 of the Lease is deleted in its entirety.

c) A new Section 3.1(d) shall be added with the following language:

(d) Notwithstanding the foregoing, the Base Rent for the last two month of the Term shall be increased to \$16,000 per month, and the Tenant shall pay the aggregate Base Rent for the period from September 1, 2013 to the end of the Term in advance (\$95,000 being payable on or before September 1, 2013).

d) A new Section 6.3 shall be added to the Lease, with the following language:

"6.3 Agreed Upon Alterations.

Notwithstanding anything else contained herein, the Tenant and the Landlord hereby agree to the following:

(i) Three (3) air conditioning units have been be replaced.

(ii) The roof of the Leased Premises may be repaired or replaced at the option of the Landlord.

(iii) The full costs and expenses (including all taxes, parts and installation) of (i) above and up to seventy thousand Canadian dollars (C\$70,000) of the full costs and expenses (including all taxes, parts and installation) of (ii) above shall be evenly split (50% each) between the Tenant and the Landlord (with any amounts over the C\$70,000 limit for (ii) above being borne by the Landlord). Each party agrees to pay to the other party or the applicable vendor, as the case may be, its portion of the costs and expenses relating to (i) and (ii) above promptly when due; provided, however, that the Tenant, at its option, may choose to amortize one-half (½) of its obligations over the remaining Term of the Lease beginning when such costs and expenses are incurred (with the upfront cash portion being borne by the Landlord); provided, however, that all unpaid amounts (amortized or otherwise) will be payable in cash by the Tenant to the Landlord immediately upon expiration or termination of this Lease or upon any default by the Tenant under this Lease or under any other agreement to which the Tenant is a party where there is a lien against any asset of the Tenant.

(iv) Both the air conditioning units (and related components) and the repaired or replaced roof (and related components), shall be deemed to be part of the Leased Premises delivered at the commencement of the Term and as such the Tenant shall maintain them as contemplated herein and they shall be delivered to the Landlord as part of the Leased Premises at the expiration or sooner termination of the Lease in the same state of repair and cleanliness as at the time they were installed, repaired or completed, as the case may be, normal wear and tear excepted.

(v) The Landlord will arrange for the work referenced in (ii) above to be completed. The parties agree that the work may be done while the Tenant is occupying the Leased Premises. The Tenant agrees to provide access to the Leased Premises for, and to fully cooperate with, any actual or potential vendors and the Landlord and with the work when and as it needs to be done. The Tenant will ensure that the insurance policies it is required to maintain hereunder are sufficient in scope and amount to cover any losses that may be incurred by the Tenant, the Landlord or the Leased Premises in connection with the work contemplated by this section, without limiting or reducing any other insurance requirement contemplated herein."

e) A new Section 10.2 shall be added to the Lease, with the following language:

"10.2 Access.

Upon reasonable notice by the Landlord, the Tenant agrees to provide access to the Leased Premises for the Landlord and any potential purchasers of the Leased Premises (including their advisors and agents) and to permit and fully cooperate with any testing or remediation work (including, without limitation, with respect to any structural issues and potential Environmental Liabilities or Environmental

Laws) required or requested by the Landlord or any potential purchaser of the Leased Premises.”

- 2) Miscellaneous.
  - a) Expenses. Each party hereto shall bear its own expenses with respect to this Amendment.
  - b) Counterparts. This Amendment 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.
  - c) Applicable Law; Venue. This Amendment 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. 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 Amendment.
- 3) Original Lease. The Lease remains in full force and effect as amended hereby.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Amendment as of the date first written above.

LANDLORD:

104 OAKDALE ACQUISITION CORP.

By: 

Name:

Kathleen Gaseby

Title:

Secretary/Treasurer

TENANT:

KK PRECISION INC.

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

Name:

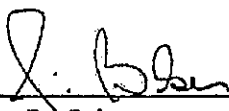
Title:

IN WITNESS WHEREOF, the undersigned has executed and delivered this Amendment as of the date first written above.

LANDLORD: 104 OAKDALE ACQUISITION CORP.

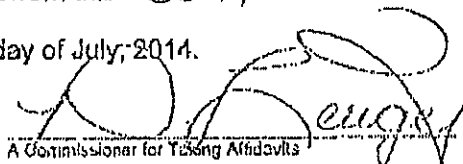
By: \_\_\_\_\_  
Name:  
Title:

TENANT: KK PRECISION INC.

By:  \_\_\_\_\_  
Name: James B. Baker  
Title: Chairman

---

This is Exhibit "B" referred to  
in the Affidavit of T.J. TERSIGNI  
Sworn this 30th  
day of July, 2014.



A Commissioner for Taking Affidavits

---

By: T.J. Tersigni, Commissioner for Taking Affidavits  
A Commissioner for Taking Affidavits  
Expires July 3, 2015.

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



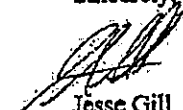
Leased Premises owned by the Landlord those items as outlined in subclause (i) of Section 2.3 of the Lease (which for clarity shall remain the property of the Landlord) and (y) there shall not be a maximum on the Foundation and Floor Costs in subclause (ii) of Section 2.3 of the Lease;

- (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](mailto:jg@terranovapartners.com).

Sincerely,



Jesse Gill

Vice President, 104 Oakdale Acquisition Corp.

Agreed to effective this 1<sup>st</sup> day of May, 2014.

**KK PRECISION INC.**

Per: \_\_\_\_\_

Name: George Kouliakian

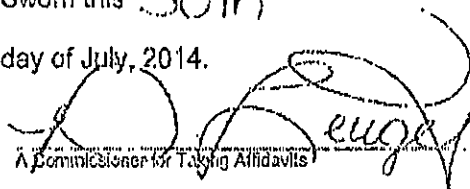
Title: President

I have authority to bind the Corporation.

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This is Exhibit "C" referred to  
in the Affidavit of T.J. TERSIGNI

Sworn this 30<sup>th</sup>  
day of July, 2014.



A Commissioner for Taking Affidavits

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Carole (ma) (step) (C) 300  
Province of Ontario for Notarial  
Barristers and Solicitors  
Expiry: July 3, 2015.



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

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

June 19, 2014

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

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

Dear Sir:

**Re: KK Precision Inc.**

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

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

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



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

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

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

Yours truly,

MINDEN GROSS LLP

Per:

A handwritten signature in black ink, appearing to read 'D. T. Ullmann', written over a horizontal line.

David T. Ullmann

DTU/nh



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

June 16, 2014

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

Dear Sirs:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

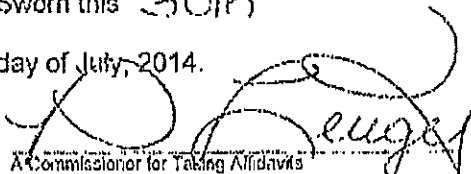
KK Precision Inc.  
Garth Wheldon  
416-742-5911  
gwheldon@kkprecision.com

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

---

This is Exhibit "D" referred to  
in the Affidavit of T.J. TERSIGNI

Sworn this 30th  
day of July, 2014.



A Commissioner for Taking Affidavits

---

Paul J. Ledger, a Justice  
of the Peace, for the Province of Ontario,  
Barristers and Solicitors,  
Toronto, Ontario  
Witness July 4, 2014.



---

**From:** David Ullmann  
**Sent:** Wednesday, June 25, 2014 1:06 PM  
**To:** Marc A. Eli Swirsky | AccuVal - LiquiTec  
**Subject:** RE: KK Precision

Marc,

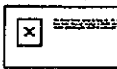
Thank you for the follow up. I have been advised that, at this time our client is not entertaining any offers to allow anyone to stay past September 30<sup>th</sup>. As to their possible interest in some of the machines, I expect our client will review that with whomever is selected as the successful auctioneer. Good luck.

Regards,

David

---

**David Ullmann** | T: 416.369.4148 | F: 416.864.9223 | [www.mindengross.com](http://www.mindengross.com)

 MERITAS LAW FIRMS WORLDWIDE

**From:** Marc A. Eli Swirsky | AccuVal - LiquiTec [mailto:[mswiper@accuval-liquitec.net](mailto:mswiper@accuval-liquitec.net)]  
**Sent:** Wednesday, June 25, 2014 1:01 PM  
**To:** David Ullmann  
**Subject:** KK Precision

David:

Touching base regarding your client, the new owner, of the KK property.

Last we spoke you were going to speak with your client with regard to how much he wants for rent on a weekly basis for the facility. As discussed, due to the time constraints on the deal we'll need more time to conduct a proper sale.

Also, as you mentioned, he may want some machines.

Please give me a ring back when you get a chance so we can follow-up.

Thanks in advance.

MAS

Marc A. Eli Swirsky, C.E.A.  
President - Liquidation Services  
**AccuVal-LiquiTec**  
21949 Plummer Street  
Chatsworth, CA 91311 United States  
P: 818 350-8060  
C: 818 917-3956

F: 262-240-8956

[mswirsky@accuval-liquitec.net](mailto:mswirsky@accuval-liquitec.net) | [accuval-liquitec.net](http://accuval-liquitec.net)

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Valuations & Liquidations of:

BUSINESS ENTERPRISES | EQUITY & STOCK | BONDS | INTELLECTUAL PROPERTY | INVENTORY | MACHINERY & EQUIPMENT | REAL ESTATE

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Keep up-to-date with us on [Twitter](#), [LinkedIn](#), [Facebook](#), or by [Email](#)

Marc A. Eli Swirsky  
AccuVal-Liquitec  
President - Liquidation Services  
(818) 350-8960 Work  
(818) 917-3956 Mobile  
[mswirsky@accuval-liquitec.net](mailto:mswirsky@accuval-liquitec.net)  
21949 Plummer Street  
Chatsworth, CA 91311  
[www.liquitec.net](http://www.liquitec.net)

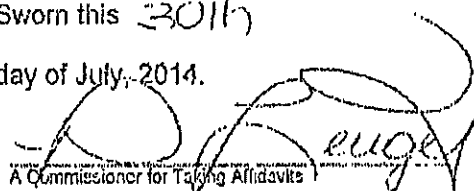
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NOTICE: If received in error, please destroy and notify sender. Sender does not intend to waive confidentiality or privilege. Use of this email is prohibited when received in error.

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This is Exhibit "E" referred to  
in the Affidavit of T.J. TERSIGNI

Sworn this 30th  
day of July, 2014.



A Commissioner for Taking Affidavits

---

Pauline Fros is a Commissioner for  
the Province of Ontario, for Matters relating to  
Affidavits and Solicitors.  
Signed: July 31, 2014.

---

**From:** David Ullmann  
**Sent:** Friday, July 18, 2014 4:17 PM  
**To:** Sherman, Adam; John J. Salmas (john.salmas@dentons.com); Sam Rappos (samr@chaitons.com)  
**Subject:** RE: Site Visit re KKP

Mr. Sherman,

Further to our meeting on Wednesday and our telephone call today, it is the position of my clients, having now conducted a preliminary review of the Premises, that the following items need to be corrected, repaired or restored in order for the Company's vacation of the Premises to be in accordance with the terms of the lease which governs the Premises.

1. Pits under Machines: As you are aware, almost every machine which is subject to the proposed sale process is currently located above or in a pit recessed into the floor. Each such pit must be restored to grade in a safe and workmanlike manner.
2. Environmental issues re Pits: Prior to any restoration work being conducted, however, the machines in question will have to be removed to allow an environmental review and inspection of the pits. The machines in question have been resident for 20 plus years and it is very likely there are solvents or other chemicals under the machines which will have to be dealt with prior to the pits being filled. It is not acceptable that the pits be covered prior to such a review being conducted and such cleaning completed.
3. Environmental Issues re External Solvent Storage and Leaks: An inspection of the perimeter of the building demonstrates apparent leaks of potentially hazardous material and oil into the asphalt and possibly the building foundation at several places. These leaks must be investigated and cleaned. In particular:
  - a. At the rear of building, which shows leaching of chemicals into the pavement and sidewalk area
  - b. On the wall adjacent to compressor area, which shows oils or other fluids which have leaked outside of the building
  - c. In an around the storage area for solvents in plastic drums near Oakdale Rd
  - d. There is a possible external leak at front of building, which had previously been observed oozing through a small 2 inch diameter access hole in the wall
4. Internal Environmental Review: The interior of the building should also be inspected for environmental issues and safely cleaned where necessary.
5. Roof Restoration: It is apparent that there are numerous holes in the roof where machinery and HVAC have been removed. Other holes may be made by machinery yet be removed. These holes must be fixed.

6. Restoration of Loading Bay: The South side main door has been removed and blocked in. The door must be returned to being a usable access point. In addition, the south side dock has been sealed and obstructed. This must be returned to original state.
7. HVAC: All HVAC must be inspected and tested
8. Asphalt: Apparently due to outside storage of raw materials and storage containers, plus harsh weather conditions this year, it is apparent that all of the asphalt in the main loading area must be repaired and re-graded. This may be even more apparent when temporary storage is removed from the drive way.
9. Interior Temporary Structures: There are a variety of temporary structures or rooms which have been added to the interior of the premises. All additions of temporary rooms, such as in the compressor area or the inspection area, must be removed.
10. Flooring: The epoxy must be removed from the floor throughout the main building so that the floor throughout the building is returned to its original state.
11. Landscaping: The landscaping is in complete disarray. Grass must be mowed and damaged railing must be repaired.
12. Stairs: The front stairs to the building are broken and constitute a hazard. They must be replaced.
13. Holding Pen: The temporary fencing which creates the holding area in the rear yard must be removed and the asphalt repaired
14. Windows: It appears that 50-60% of all the windows have been damaged and must be replaced
15. Electrical: All electrical wiring must be safely capped upon the removal of equipment. Additional or surplus wiring installed by the tenant must be removed and the remaining connections made safe. Additional electrical issues may become apparent upon the removal of the assets.

The foregoing is not necessarily an exhaustive list. I am advised by my clients that they expect that further issues may become apparent from a more professional review.

In addition to the foregoing, and without limiting the need for a further environmental review to be done, we understand that you have a recent environmental survey of part of the property. Please provide a copy of same for our review as soon as possible.

As you are aware, and as we said at the meeting, at this time, our clients estimate the costs for the above repairs to have an aggregate cost of at least \$500,000. It is suggested that an expert be retained to validate these costs. We confirm that any environmental survey or expert's report with respect to these issues will be at the cost of the company and not my clients.

Please provide us with a timeline which the company intends to follow with respect to performing the auction and attending to the repairs listed above. We would like to ensure that there can be certain milestones at which the landlord, or its representative, can attend in order to assess progress. The Landlord remains concerned that the timing proposed by the company is very aggressive. In particular, the issue with the pits, which will take time to properly clean and fill, cannot be assessed until the machines are removed, which will presumably not be until mid-September at the earliest.

We confirm that the above costs do not include such additional costs as may be required to repair any additional damage as may be done as a result of the removal from the premises of the machinery, equipment and materials (including any and all hazardous materials), which the tenant must remove upon the completion of the lease. This would presumably include any assets or machinery which are not sold at auction, but which we presume the auctioneer is undertaking to remove itself after the sale.

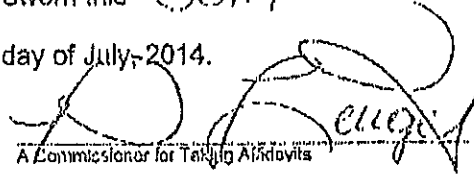
Regards,

David Ullmann

---

This is Exhibit "F" referred to  
in the Affidavit of T.J. TERSIGNI

Sworn this 30th  
day of July, 2014.



A Commissioner for Taking Affidavits

---

T.J. Tersigni, a Commissioner, etc.,  
for and on behalf of Minden Cross LLP,  
for and on behalf of  
July 30, 2014.

**DENTONS**

John Selmas

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July 24, 2014

File No.: 557860-1

SENT VIA E-MAIL (dullmann@mindengross.com)

David T. Ullmann  
Minden Gross LLP  
145 King Street West  
Suite 2200  
Toronto, Ontario  
M5H 4G2

Dear David:

**RE: KK Precision Inc. return of the 104 Oakdale road premises**

As you are aware we are counsel to KK Precision Inc. (the "Company"). We have been provided with a copy of your July 18<sup>th</sup> email (the "July 18<sup>th</sup> Email") and have been instructed to provide this response.

The Company has been operating out of the premises located at municipal address 104 Oakdale road, North York (the "Premises") for upwards of 20 years. The Company's rights in the Premises have been defined by various agreements over that time period, many of which are no longer applicable. On September 1, 2011, the Company entered into a lease agreement (the "Lease") with 104 Oakdale Acquisition Corp. (the "Prior Landlord"). The Lease was amended by an amendment to lease, entered into as of February 1, 2013 (the "First Lease Amendment") and amended further by a letter agreement effective as of May 1, 2014 (the "Letter Agreement", together with the First Lease Amendment and the Lease, the "Lease Documents"). The Lease Documents do not refer to, or rely upon, any pre-existing agreement, lease or grant of rights in the Premises by the Landlord to the Company that predates the Lease. In other words, the Lease Documents represent an accurate representation of the complete agreement between the parties with respect to the Company's lease of the Premises.

On May 30, 2014 (the "Filing Date"), the Honourable Justice Wilton-Siegel of the Ontario Superior Court of Justice (Commercial List) (the "Court") granted an order pursuant to the provisions of the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36, as amended, which among other things provides that no party shall discontinue any contract with the Company without the written consent of the Monitor or leave of the Court. It is our understanding that any assumption of the lease by your client, 2215225 Ontario Inc. (the "Landlord") happened after the Filing Date and that a valid and binding assumption agreement was executed. We would request that you please provide us with a copy of that agreement as soon as possible. It would be our expectation that through its due diligence in connection with its purchase of the Premises, the Landlord would have understood the rights of the Prior Landlord pursuant to the Lease Documents in executing the assumption agreement.

We understand from the July 18<sup>th</sup> Email that your client's position is that the Company is obligated to ensure that all of the items identified therein are "corrected, repaired or restored in order for the Company's vacation of the Premises to be in accordance with the terms" of the Lease Documents. We

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respectfully disagree that all of these items need to be addressed in order for the Company to be compliant with the terms of the Lease Documents.

It is the Company's position that the condition of the Premises at the expiry of the Term<sup>1</sup> (the "Return State") and the Company's obligations to deliver the Premises to the Landlord in the Return State are expressly defined by the Lease Documents. The Company takes this position is based on the following sections of the Lease Documents:

- *S. 1.17 of the Original Lease*  
"TERM" means the term of this Lease as specified in Section 2.1
- *S. 2.1 of the Original Lease*  
In consideration of the rents, taxes and other payments, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be respectively paid, observed and performed, the Landlord does demise and lease the Leased Premises, for the sole use as a manufacturing facility and offices in accordance with all applicable laws, by-laws and regulations, unto the Tenant, to have and to hold for the Term of one (1) year commencing on September 1, 2011 and ending on August 31, 2012. [emphasis added]<sup>2</sup>
- *S. 2.3 of the Original Lease*  
Upon the expiration or sooner termination of this Lease (including, but not limited to, at the expiry of the Term or if extended at the expiry or termination of the Renewal Term), the Tenant shall vacate and surrender to the Landlord the Leased Premises in the same state of repair and cleanliness as they were in at the commencement of the Term, reasonable wear and tear excepted, and the Tenant will restore the Premises accordingly. The Tenant will remove any and all such fixtures and other items that Landlord may identify from the Leased Premises and restore the Leased Premises accordingly. Notwithstanding the foregoing, Tenant's obligation to remove fixtures and other items will not apply to any fixtures or items that were so placed or installed in or on the leased Premises prior to the commencement of the Lease. For clarity, (i) the Tenant may, at its option, but shall not be required to remove the cranes, compressors or outside storage fence, (ii) Tenant shall be required to fill in the machine foundations and power wash the floors and walls; provided, however, the Tenant shall only be responsible for any costs of filling in the machine foundations and power washing up to a maximum of \$50,000 (the "Foundation and Floor Costs"). The Tenant shall use commercially reasonable efforts to minimize the Foundation and Floor Costs. Any damage due to the Tenant's (or its subsidiaries, subcontractors, employees, officers, directors, consultants, shareholders, associates or affiliates) operations or actions, removal of machinery or other fixtures prior to or at the end of the Term or the Renewal

<sup>1</sup> as defined in the Lease Documents

<sup>2</sup> Such Term was subsequently extended by paragraph 1 of the First Lease Amendment until April 30, 2014 and the third paragraph of the Letter Agreement until September 30, 2014.

Term (as same may be extended) shall be repaired by and at the cost of the Tenant. [emphasis added]

- *Para 3(c)(i) of the Letter Agreement*  
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.[emphasis added]

As such, it is the Company's position that the Return State is the state of the Premises at September 1, 2011 – being the "commencement of the Term" under the Lease Documents.

Pursuant to the Letter Agreement, the Landlord is currently holding \$100,000 as a Security Deposit (the "Security Deposit") that is to be used in accordance with paragraph 3(c) of the Letter Agreement. The Company and the Monitor have reviewed the current state of the Premises and the Company believes that the \$100,000 Security Deposit is sufficient to conduct all of the necessary repairs to the Premises in order to effectuate the Return State.

Notwithstanding, the above Company, in consultation with the Monitor, has reviewed the list you have provided and, in an effort to deal with all alleged Premises rectification issues, the Company is agreeable to make certain of your clients requested repairs to the Premises. The Company agrees to deal with the requested repairs as follows:

1. **Pits under Machines:** We acknowledge that it is the responsibility of the Company to fill the pits under the machines in accordance with the Lease Documents. The Company has consulted with NRF Contracting Ltd. ("NRF") in order to have that process completed prior to vacating the Premises. NRF was the company responsible for the original construction of the pits and has knowledge regarding how to properly fill the pits and account for any potential environmental hazards, which we are not aware of any.
2. **Environmental Issues:** As a proxy for the condition of the Premises at September 1, 2011, a Phase I Environmental Site Assessment (the "Phase I Report") was prepared by Conestoga-Rovers & Associates ("CRA") for River Associates Investments, LLC in August 2011. The Phase I Report was based on a visual inspection / historical review of the Premises and noted the potential sources for environmental contamination.

A subsequent Phase II assessment (the "Phase II Report" and together with the Phase I Report, the "Reports") was prepared by CRA for the Prior Landlord and Precinda Corp. (the predecessor-in-interest to the Company) and completed in July 2013. Physical testing of the Premises was done to complete the Phase II Report, which indicated that there was no evidence of groundwater impacts or soil impacts and that there was no need for a further site assessment or remediation work to be done on the Premises. As the new Landlord of the Premises, we assume that your client received these Reports as a part of a due diligence process undertaken in purchasing the Premises, but for ease of reference I have enclosed the Reports (without appendices) with this letter.

The process to complete the Phase II Report took six weeks to complete and was disruptive to the operations of the business. Given that the last environmental assessment was completed a

year ago and, with no major changes to the operations or the Premises since such date, a further assessment would be superfluous. The Company is not aware of any environmental issues but will pressure wash the walls and floors as required to clean any of the current visible markings.

3. **Roof Repairs and HVAC:** The Company will attend to any HVAC issues and to the extent that the roof repairs are related to the HVAC system and/or the removal of equipment the Company will repair the roof. Any other rectification issues in respect of the roof which are the result of normal wear and tear will not be attended to by the Company.
4. **Restoration of south side door, loading bay and removal of internal structures:** The south side door was blocked and the internal structures were erected prior to the commencement of the Lease on September 1, 2011. Therefore it is the Company's position that the Premises will be delivered in the Return State which includes leaving the south side door, the loading bay door and the internal structures in the current condition.
5. **Asphalt:** As you note the condition of the asphalt may have been affected by the harsh weather this past winter. The Company would characterize any change in the condition of the asphalt as a result of harsh weather and storage of containers to be 'normal wear and tear'.
6. **Landscaping, ralling, stairs, windows and electrical:** The company will ensure that these items are in the same state of repair and cleanliness as they were in at the commencement of the Term, reasonable wear and tear excepted. Any broken windows will be replaced and the electrical will be safely capped upon the removal of the equipment.
7. **Holding Pen:** Section 2.3 of the Lease expressly states that: "For clarity, (i) the Tenant may, at its option, but shall not be required to remove the cranes, compressors or outside storage fence". At this point in time the Company will not be exercising such option but reserves the right to remove the fence prior to vacating the Premises if it subsequently deems it appropriate to do so.

The Company's estimated cost to bring the Premises to the same state of repair and cleanliness as it was at September 1, 2011, reasonable wear and tear excepted, is approximately equal to the amount of the Security Deposit. To the extent that the costs of the action plan provided herein are greater than the estimate, the Company agrees to pay for and undertake those repairs. This offer to deal with the Premises is provided on the pre-condition that the Security Deposit will be released by the Landlord to the Monitor to be held in trust for the benefit of the Company and the Landlord. The Security Deposit will be released by the Monitor to the Company on the delivery of (i) proof of expenses and (ii) a commitment by the Company to pay any overage cost to effectuate the required repairs as detailed herein. In the event that the full amount of the Security Deposit is not required to be utilized to effectuate the repairs, any unused portion will be returned to the Company.

The auction for the Company's assets will take place on September 10, 2014 with the removal of the assets to commence on that date and culminate on or before September 30, 2014. The Company will be bringing a motion to approve the auction transaction on August 1, 2014.



In the event that your clients wish to engage an expert to assess the Premises, the Company is not adverse to such a process. Provided however, any such expert is able to ascertain the condition of the Premises as of September 1, 2011 and will base any findings and recommendations or list of "required repairs" are based on returning the Premises to the same state of repair and cleanliness as it was at September 1, 2011, reasonable wear and tear excepted.

Yours truly,  
Dentons Canada LLP

John Salmas

Enclosures (2)

**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.**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

Proceeding commenced at TORONTO

**AFFIDAVIT OF T.J. TERSIGNI  
(Sworn July 30, 2014)**

**MINDEN GROSS LLP**  
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Lawyers for 2215225 Ontario Inc., the landlord

## APPENDIX F

**RICHTER**

Richter Advisory Group Inc.  
181 Bay Street, 33<sup>rd</sup> Floor  
Toronto, ON M5J 2T3  
[www.richter.ca](http://www.richter.ca)

**KK PRECISION INC.**

**SUPPLEMENT TO THE SECOND REPORT OF RICHTER ADVISORY GROUP INC.,  
IN ITS CAPACITY AS MONITOR OF  
KK PRECISION INC.**

**JULY 31, 2014**

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

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

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

**SUPPLEMENT TO THE SECOND REPORT OF RICHTER ADVISORY GROUP INC.  
In its capacity as Monitor of KK Precision Inc.**

**July 31, 2014**

**Introduction**

1. On May 30, 2014, the *Ontario* Superior Court of Justice (Commercial List) (the "**Court**") issued an order (the "**Initial Order**") granting KK Precision Inc. (the "**Company**") protection pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Richter Advisory Group Inc. was appointed the Company's monitor (the "**Monitor**"). The Initial Order provided the Company with, *inter alia*, a stay of proceedings until June 29, 2014 (the "**Stay Period**"). The proceedings commenced by the Company under the CCAA are herein referred to as the "**CCAA Proceedings**".
2. On June 25, 2014, the Court issued an order (the "**June 25 Order**"), among other things, extending the Stay Period to September 19, 2014, and approving the process commenced by the Company to solicit offers for the Company's business and/or assets (the "**Solicitation Process**"). A copy of the June 25 Order is attached as Appendix "A" to the Monitor's second report dated July 25, 2014 (the "**Second Report**"). The Second Report was filed in support of the Company's motion returnable August 1, 2014 seeking, among other things, the Court's approval of the proposed liquidation of the Company's machinery and equipment (the "**Assets**") by Infinity Asset Solutions Inc. ("**Infinity**") and the Liquidation Services Agreement ("**LSA**") dated July 25, 2014 between the Company and Infinity (the "**Transaction**").

3. The principal purpose of the CCAA Proceedings is to allow the Company to implement an orderly wind-down of its operations. The orderly wind-down includes production activities for a period of time to, among other things, permit key customers the opportunity to source alternative supply, and to carry out a process to solicit offers from interested parties to purchase the Company's business and/or assets with a view to maximizing value for all stakeholders.

#### **Purposes of this Report**

4. The purpose of this report (the "**Supplemental Second Report**") is to provide additional information to the Court in connection with the Transaction and address certain of the concerns raised by 2215225 Ontario Inc. ("**2215225**" or the "**Landlord**") in the affidavit of T.J. Tersigni sworn July 30, 2014 (the "**Tersigni Affidavit**"), regarding both the Transaction and the requirement for the Company to vacate the premises located at 104 Oakdale Road, Toronto, Ontario (the "**Premises**") and complete all necessary and required repairs to the Premises, as per its lease obligations, by September 30, 2014.

#### **Terms of Reference**

5. In preparing this Supplemental Second Report, the Monitor has relied on the Company's books and records, and discussions with management, the Company's advisors, Infinity and its advisor and the Landlord and its advisor. The Monitor has not conducted an audit or other verification of such information.
6. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

#### **The Landlord**

7. As noted in the Second Report, the lease for the Premises expired on April 30, 2014 (the "**Lease**"). Prior to the commencement of the CCAA Proceedings, the Company negotiated a lease extension with the former owner of the Premises, which runs until September 30, 2014 (the "**Lease Extension**"). Subsequent to entering into the Lease Extension and after the commencement of the CCAA Proceedings, the Premises were sold to 2215225 on June 2, 2014.
8. As also noted in the Second Report, following completion of the Solicitation Process and the Company's selection of Infinity as the successful bidder, the Company and the Landlord (with the assistance of the Monitor) have been communicating regarding (i) the Company's requirement to vacate the Premises, including the completion of any required repairs and/or remediation activities, by September 30, 2014, (ii) the Landlord's concerns that the Company will not be able to fulfill its

obligations to restore the Premises to an acceptable condition prior to September 30, 2014, and (iii) the possibility of a brief lease extension beyond September 30, 2014.

9. The Landlord and the Company exchanged correspondence dated July 18, 2014 and July 24, 2014, respectively, which correspondence outlined the positions of each of the Landlord and the Company regarding the Company's obligations to repair and restore the Premises in accordance with the terms of the Lease and Lease Extension.
10. As noted in the Second Report, the Company disagreed with many of the repairs and the estimated costs to complete the various repairs that, in the Landlord's view, needed to be completed by the Company prior to it vacating the Premises at the expiration of the Lease Extension.
11. The Landlord's above concerns were reiterated and further detailed in the Tersigni Affidavit which, among other things, outlines the Landlord's opposition to the Court's approval of the Transaction and the LSA (in its current form), and requests that the Court grant a priority charge over the sale proceeds in the amount of \$500,000 in favour of the Landlord, to be held by the Monitor, pending the resolution of the issues between the Landlord and the Company.
12. With respect to the Landlord's concerns raised in the Tersigni Affidavit, the Monitor advises the Court as follows:
  - (i) The Landlord has expressed concerns regarding the proposed timeline for the liquidation of the Assets and the Company's ability to comply with its obligations under the Lease and the Lease Extension. The Landlord also claims that proposed liquidators, and Infinity, share the Landlord's view and Infinity offered the Landlord \$150,000 for a one-month lease extension;
  - (ii) During the Solicitation Process and the negotiation of the LSA, the Monitor had many discussions with Infinity and its advisor regarding the proposed timeline for liquidating the Assets, including the time required to remove the Assets from the Premises and repair/remediate the Premises in accordance with the Company's view as to its obligations under the Lease and Lease Extension;
  - (iii) Although the Company, the Monitor and Infinity acknowledge that additional time to complete the liquidation of the Assets, including the removal of the Assets from the Premises, would be advantageous, Infinity has maintained from the outset of the Solicitation Process that not only will it be able to complete the liquidation and removal of the Assets from the Premises within the required time period, but that it will also work cooperatively with the Company during the

post-auction period so that Infinity can efficiently facilitate the removal of the Assets and the Company can complete its remediation obligations with respect to the Premises prior to vacating the Premises on September 30, 2014;

- (iv) In addition, the Monitor understands that certain of the repairs the Company has agreed to undertake are expected to be completed in August 2014, with other agreed upon repairs to be completed in September 2014;
- (v) The Monitor further understands that, in the Company's view, the only repair/remediation work to be completed following the removal of the Assets from the Premises is the infill of the seven (7) pits located under certain of the Assets (the "Pits"). With respect to the repair/remediation of the Pits, the Monitor has been informed by Infinity that following the liquidation of the Assets it will be undertaking a staged removal of the Assets from the Premises, which will permit the Company to complete those repairs the Company believes it is obligated to complete under the Lease and the Lease Extension, including the repair/remediation of the Pits, by September 30, 2014. In this regard, the Monitor confirms that the Company has obtained a quote for the repair/remediation of the Pits, by the company that installed the Pits, during the period from September 27, 2014 to September 30, 2014;
- (vi) Based on its previous experiences with Infinity and Infinity's reputation in the marketplace, the Monitor is of the view that Infinity has extensive experience and an established team of professionals skilled at the auction/liquidation of industrial machinery and equipment. The Monitor understands that the proposed auction date and timeline for removal of the Assets has been established by Infinity based on its professional experience and with full knowledge of the Company's obligation to complete the liquidation of the Assets, remove the Assets from the Premises and repair/remediate the Premises by September 30, 2014. The Monitor, in other capacities, has previously worked with Infinity and the Monitor can attest that, in those situations, Infinity conducted its work in a professional, well organized manner;
- (vii) Notwithstanding the Landlord's concerns regarding the ability of Infinity to complete the liquidation of the Assets, including the removal of the Assets and the repair/remediation of the Premises, the Monitor notes that in addition to Infinity's offer, four (4) other offers to liquidate the Assets were received from parties that regularly liquidate assets in insolvency proceedings with full knowledge of the Company's obligation to vacate the Premises by September 30, 2014;

- (viii) The Landlord has expressed that, should the LSA be approved (in its current form), the Company will not be able to meet its obligations to the Landlord, as per the Lease and the Lease Extension. In this regard, the Tersigni Affidavit states that the LSA provides that, among other things, Infinity has until September 30, 2014 to remove the Assets from the Premises, and Infinity is permitted to leave certain assets at the Premises;
- (ix) Although the LSA permits Infinity until September 30, 2014 to remove the Assets from the Premises, as noted above, the LSA confirms that Infinity will work cooperatively with the Company during the post-auction period so that Infinity can efficiently facilitate the removal of the Assets from the Premises and the Company can complete its remediation obligations with respect to the Premises. Infinity has advised the Monitor that it will have the Assets removed from the Premises in time for the Company to complete any unfinished repairs/remediation to the Premises prior to September 30, 2014; and
- (x) In addition, although the LSA makes reference to certain assets that are to be excluded from the liquidation sale (the “**Excluded Assets**”), and which Infinity will have no responsibility to remove from the Premises, the Excluded Assets consist of assets that have been sold or are subject to sale to other parties and/or leased assets. The Company has informed the Monitor that arrangements will be made to ensure that the Excluded Assets are removed from the Premises prior to September 30, 2014.

#### **Monitor's Conclusions and Recommendations**

- 13. As noted in the Second Report, the Monitor is of the opinion that the Transaction represents the best recovery from the Assets for the Company's stakeholders in the circumstances.
- 14. Given the Company's requirement to vacate the Premises by September 30, 2014, the Monitor is of the view that, should the Transaction and LSA not be approved, the Company would not be in a position to further market the Assets for sale without putting the Transaction at risk and impairing recoveries.
- 15. As noted above, although the Company, the Monitor and Infinity agree that additional time would be advantageous, the Company and Infinity appear to have developed a reasonable plan to complete the liquidation of the Assets, remove the Assets from the Premises and complete those repairs to the Premises that the Company believes it is obligated to complete under the Lease and the Lease Extension by September 30, 2014.

16. Based on the foregoing and the Second Report, the Monitor continues to respectfully recommend that this Honourable Court make the Order(s) granting the relief sought by the Company in its motion returnable August 1, 2014, including the approval of the Transaction and the LSA.

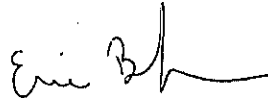
All of which is respectfully submitted this 31<sup>st</sup> day of July, 2014.

**Richter Advisory Group Inc.**  
in its capacity as Monitor of  
KK Precision Inc.

Per:



Adam Sherman, MBA, CIRP



Eric Barbieri, CPA, CA

## APPENDIX G



## PHASE I ENVIRONMENTAL SITE ASSESSMENT

LIGHT INDUSTRIAL FACILITY  
104 OAKDALE ROAD  
TORONTO, ONTARIO

Prepared For:  
River Associates Investments, LLC

AUGUST 2011  
REF. NO. 076209 (1)  
This report is printed on recycled paper.

**Prepared by:**  
**Conestoga-Rovers**  
**& Associates**

111 Brunel Road, Suite 200  
Mississauga, Ontario  
Canada L4Z 1X3

Office: 905•712•0510  
Fax: 905•712•0515



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## EXECUTIVE SUMMARY

Conestoga-Rovers & Associates (CRA) was retained by River Associates Investments, (RAI) to complete a Phase I Environmental Site Assessment (ESA) of the industrial property and building located at 104 Oakdale Road in Toronto, Ontario (Property or Site).

The purpose of the Phase I ESA was to identify, through a non-intrusive investigation, the existence of any significant actual or potential areas of environmental impairment associated with the facility and related Property. It is CRA's understanding that the Phase I ESA is being completed for due diligence purposes to allow RAI to assess any potential liabilities (environmental risk and impacts) relating to the Property preparatory to a potential real estate transaction. The Property is currently owned by Precinda Inc. who acquired the Property in 1998.

The Property is approximately 0.73 hectares (1.8 acres) in size and irregular in shape. The Site contains one building that is approximately 2,600 square metres (28,000 square feet) in size. The Site is located in an area of Toronto that has been developed for industrial land use since the 1960s.

The Phase I ESA was conducted in general accordance with the document entitled, "CSA Standard Z768-01, Phase I Environmental Site Assessment" for conducting environmental assessments.

Based on the results of the Phase I ESA, including information provided by facility representatives and regulatory agencies, and historical documents reviewed, the following potential areas of environmental concerns were identified to be associated with the Site.

- i) **Current Site Operations:** Based on the findings of the Site inspection, two shallow concrete pits, which extend from the north end to the south end of the manufacturing plant, were present below the base of the metal working machines. These concrete pits are used for collecting leaked coolant and hydraulic oil from the machines. Localized stains were observed throughout the facility, especially on the concrete floor slab in the northeast section of the plant and the exterior northeast section of the Site where drums and plastic totes containing hydraulic oil, coolant, and mineral spirits, or liquid wastes from the non-destructive testing area were stored. The potential for chemicals to seep into the surrounding soil through cracks in the walls or bases of the concrete pits, and

from spills or leaks associated with the chemical storage areas were identified as potential sources of environmental impairment to the Site.

- ii) **Historical Site Operations:** Based on a review of historical information, former occupants of the Site included heavy-duty lift truck repair and machine shop operations. Very limited information was available concerning the types and quantities of chemicals used and stored at the Site in the past, or the nature of wastes generated at the Site in the past. In the absence of this information, these historical operations were identified as potential sources of environmental impairment to the Site.
  
- iii) **Historic Adjacent Land Use:** Based on a review of historical information, the properties adjacent to the north and east of the Site were occupied by industrial operations including metal working, stamping, and automotive repair operations. Fill and vent pipes associated with a possible underground storage tank had also been observed on a property located approximately 30 metres northeast of the Site. The historical industrial operations on properties located adjacent to the Site were identified as potential sources of environmental impairment to the Site, if chemical releases have occurred on these properties and migrated onto the Site.

## 1.0 INTRODUCTION

Conestoga-Rovers & Associates (CRA) was retained by River Associates Investments, LLC (RAI) to complete a Phase I Environmental Site Assessment (ESA) of the industrial property located at 104 Oakdale Road, Toronto, Ontario (Property or Site). A Site location map is provided on Figure 1 and a Site plan is provided on Figure 2.

The purpose of the Phase I ESA was to identify, through a non-intrusive investigation, the existence of any significant actual or potential areas of environmental impairment associated with the facility and related Property. It is CRA's understanding that the Phase I ESA is being completed for due diligence purposes to allow RAI to assess any potential liabilities (environmental risk and impacts) relating to the Property preparatory to a potential real estate transaction. The Property is currently owned by Precinda Inc. who acquired the Property in 1998.

The Property is approximately 0.73 hectares (1.8 acres) in size and irregular in shape. The Site contains one building that is approximately 2,600 square metres (28,000 square feet) in size. The Site is located in an area of Toronto that has been developed for industrial land use since the 1960s.

The Phase I ESA was conducted in general accordance with the document entitled, "CSA Standard Z768-01, Phase I Environmental Site Assessment" for conducting environmental assessments. The Phase I ESA was conducted by Mr. Cory Ostrowka and Ms. Pearl Lai and was reviewed by Mr. Greg Brooks, all of CRA. The qualifications of Mr. Ostrowka, Ms. Lai and Mr. Brooks are presented in Appendix A. The following tasks were conducted as part of the Phase I ESA:

- Review of an electronic environmental database search of federal, provincial, and private source databases
- Review of Property title records
- Review of available historical records including historical city directories, fire insurance plans, aerial photographs of the Site and surrounding area, and previous environmental reports
- Review of past and current Property usage and adjacent property occupancy
- Inspection of the facilities, equipment, utility services, operations, and associated records for the Site
- Observations of any conditions that represented potential environmental concerns
- Review of chemical use and storage and spill/release incidents

- Review of aboveground and underground storage tank records
- Review of waste handling, accumulation, storage, and disposal practices
- Review of air emissions and wastewater discharges
- Review of equipment that potentially contains chlorofluorocarbons
- Review of equipment that potentially contains polychlorinated biphenyls
- Observations of potential lead-based paint
- Observations of potential asbestos-containing materials
- Inquiries with regulatory agencies and discussions with persons knowledgeable of the Site and Site operations

CRA relied on information received from all parties as being accurate unless contradicted by written documentation or field observations.

The following report summarizes the information gathered by CRA during the Phase I ESA and identifies any significant actual or potential areas of environmental impairment associated with the facility and related Property.

This Phase I ESA report has been prepared for the use of River Associates Investments, LLC and may not be relied upon by others without the written consent of CRA.

2.0 ENVIRONMENTAL DATABASES SEARCH  
AND HISTORICAL RECORDS REVIEW

2.1 ENVIRONMENTAL DATABASES SEARCH

CRA contracted EcoLog Environmental Risk Information Services Ltd. (ERIS) to conduct a search of available federal, provincial, and private environmental databases. Based on the address of the Site, the database searches were completed to assist in the identification of environmental conditions at the Site and on adjacent properties. A summary of the pertinent findings from the database search is provided below. The number of records identified for the Site and for properties within a 0.25 kilometre radius, and a 0.25 to 2 kilometre radius of the Site are identified in the following table. The complete database search report, which also identifies limitations associated with this information, is included in Appendix B.

Database	Number of Records		
	Site	Distance from the Site	
		0-0.25 km	0.25-2 km
<b>FEDERAL DATABASES</b>			
Environmental Effects Monitoring (BEM)	None	0	0
Environmental Issues Inventory System (EIIS)	None	0	0
Federal Convictions (FCON)	None	0	0
Federal Contaminated Sites (FCS)	None	0	0
Fisheries & Oceans Fuel Tanks (FOFT)	None	0	0
Indian & Northern Affairs Fuel Tanks (IAFT)	None	0	0
National Analysis of Trends in Emergencies System (NATE)	None	0	0
National Defence & Canadian Forces Fuel Tanks (NDFT)	None	0	0
National Defence & Canadian Forces Spills (NDSP)	None	0	0
National Defence & Canadian Forces Waste Disposal Sites (NDWD)	None	0	0
National Environmental Emergencies System (NEES)	None	0	0
National PCB Inventory (NPCB)	None	0	27
National Pollutant Release Inventory (NPRI)	None	0	148
Parks Canada Fuel Storage Tanks (PCFT)	None	0	0
Transport Canada Fuel Storage Tanks (TCFT)	None	0	0
<b>PROVINCIAL DATABASES</b>			
Abandoned Aggregate Inventory (AAGR)	None	0	0
Aggregate Inventory (AGR)	None	0	0
Abandoned Mines Information System (AMIS)	None	0	0
Borehole (BORE)	None	17	408
There were no records identified in the BORE database to be associated with the Site. Seventeen records were identified in the BORE database to be associated with properties located within 250 metres of the Site. All records were associated with geotechnical/geological			

Database	Number of Records		
	Site	Distance from the Site	
		0-0.25 km	0.25-2 km
investigations.			
Certificates of Approval (CA)	None	5	137
<p>There were no records identified in the CA database to be associated with the Site. Five records were identified in the CA database to be associated with properties located within 250 metres of the Site. The records were associated with Certificates of Approval for Industrial Air, Air, and Waste Management Systems between the years 1994 and 2011. The approval for Waste Management Systems was for Quartz Disposal Inc. at 123B Oakdale Road, located approximately 100 metres northeast of the Site.</p>			
Coal Gasification Plants (COAL)	None	0	0
Compliance and Convictions (CONV)	None	0	0
Drill Holes (DRL)	None	0	0
Environmental Registry (EBR)	None	2	56
<p>There were no records identified in the EBR database to be associated with the Site. Two records were identified in the EBR database to be associated with properties located within 250 metres of the Site. Both records were associated with Certificates of Approval (Air).</p>			
Ontario Regulation 347 Waste Generators Summary (GEN)	3	36	643
<p>Three records were identified in the GEN database to be associated with the Site. KK Precision Parts Ltd. was identified as a generator of waste oils/sludges (petroleum based) and emulsified oils for various years between 1997 and 2010. Precinda Ltd. was identified as a generator of emulsified oils in 2005.</p> <p>A total of thirty-six records for eleven addresses were identified in the GEN database to be associated with properties located within 250 metres of the Site.</p> <ul style="list-style-type: none"> <li>• Hopkins Street Properties Ltd., located at 101 Oakdale Road (approximately 30 metres east of the Site), was identified as a generator of oil skimming and sludges, and organic laboratory chemicals in 2007 and 2008.</li> <li>• Apollo Circuits Ltd., located at 109 Oakdale Road (approximately 30 metres east of the Site), was identified as a generator of acid, alkaline, and neutralized wastes containing heavy metals, inorganic laboratory chemicals, halogenated solvents, and organic laboratory chemicals for various years between 1997 and 2010.</li> <li>• Oakdale Kitchens Ltd., located at 92 Oakdale Road on the adjacent property to the south of the Site, was identified as a generator of aromatic solvents, and paint/pigment/coating residues for various years between 1993 and 2004.</li> <li>• Superior Wire Works Inc., located at 112 Oakdale Road on the adjacent property to the north of the Site, was identified as a generator of waste oils/sludge (petroleum based), other inorganic acid wastes, alkaline wastes containing heavy metals, alkaline wastes containing other metals, neutralized wastes containing heavy metals, reactive anion wastes, inorganic laboratory chemicals, petroleum distillates, polymeric resins, halogenated solvents, oil skimmings and sludges, waste oils and lubricants, and organic laboratory chemicals for various years between 1986 and 2010.</li> <li>• Bevel Stamping Co. Ltd., located at 111 Oakdale Road (approximately 30 metres northeast of the Site), was identified as a generator of petroleum distillates, aliphatic solvents, and halogenated solvents for various years between 1992 and 2010.</li> <li>• Tarpan Sections Ltd., located at 117 Oakdale Road (approximately 70 metres northeast of the Site), was identified as a generator of aromatic solvents and halogenated solvents for various years between 1986 and 2004.</li> </ul>			



Database	Number of Records		
	Site	Distance from the Site	
		0-0.25 km	0.25-2 km
<ul style="list-style-type: none"> <li>Kobi's Cabinets Ltd., I Kobiarka, and Rexdale Alternator &amp; Starter, all located at 120 Oakdale Road (approximately 70 metres north of the Site), were identified as generators of aromatic solvents, emulsified oils, petroleum distillates, and waste oils and lubricants for various years between 1992 and 2006.</li> <li>KK Precision Parts Ltd., located at 119 Oakdale Road (approximately 80 metres northeast of the Site), was identified as a generator of emulsified oils for various years between 1986 and 1998.</li> <li>Ajax Screw Machined Products Inc., located at 123 Oakdale Road (approximately 110 metres northeast of the Site), was identified as a generator of petroleum distillates, halogenated solvents, and emulsified oils for various years between 1986 and 1998.</li> <li>Angelo's Electric Limited, located at 125 Oakdale Road (approximately 110 metres northeast of the Site), was identified as a generator of petroleum distillates, waste oils and lubricants, and emulsified oils for various years between 1992 and 2010.</li> <li>Eriez of Canada Ltd., located at 133 Oakdale Road (approximately 200 metres north of the Site), was identified as a generator of other inorganic acid wastes, paint/pigment/coating residues, aromatic solvents, aliphatic solvents, petroleum distillates, polymeric resins, oil skimmings and sludges, waste oils and lubricants, emulsified oils, and amines for various years between 1986 and 1998.</li> </ul>			
Mineral Occurrences (MNR)	None	0	0
Non-Compliance Reports (NCPL)	None	0	5
Ontario Inventory of PCB Storage Sites (OPCB)	None	0	10
Ontario Oil and Gas Wells (OOGW)	None	0	0
Pesticide Register (PES)	None	0	39
Private and Retail Fuel Storage Tanks (PRT)	None	1	53
No records were identified in the PRT database to be associated with the Site. One record was identified in the PRT database to be associated with a property located within 250 metres of the Site. The record was associated with a 2,000 litre tank at 84 Oakdale Road (approximately 90 metres south of the Site). This property was occupied by Capri Bakery. No further information about this tank was provided in the PRT database.			
Ontario Regulation 347 Waste Receivers Summary (REC)	None	0	8
Record of Site Condition (RSC)	None	0	21
Ontario Spills (SPL)	None	0	192
Wastewater Discharger Registration Database (SRDS)	None	0	0
Waste Disposal Sites - MOE CA Inventory (WDS)	None	0	1
Waste Disposal Sites - MOE 1991 Historical Approval Inventory (WDSH)	None	0	0
Water Well Information System (WWIS)	None	0	79
<b>PRIVATE DATABASES</b>			
Anderson's Waste Disposal Inventory (ANDR)	None	0	1
Automobile Wrecking & Supplies (AUWR)	None	1	11
No records were identified in the AUWR database to be associated with the Site. One record was identified in the AUWR database to be associated with a property located within 250 metres of the Site. The record was associated with an automobile wrecking and recycling facility located at 128 Oakdale Road (approximately 130 metres north of the Site).			
Chemical Register (CHEM)	None	0	4

Database	Number of Records		
	Site	Distance from the Site	
		0-0.25 km	0.25-2 km
ERIS Historical Searches (EHS)	None	6	108
Fuel Storage Tank (FST)	None	0	122
Canadian Mine Locations (MINE)	None	0	0
Oil and Gas Wells (OGW)	None	0	0
Canadian Pulp and Paper (PAP)	None	0	0
Retail Fuel Storage Tanks (RST)	None	0	14
Scott's Manufacturing Directory (SCT)	2	25	429
<p>Two records were identified in the SCT database to be associated with the Site. The records were associated with machine shop, coating, engraving, and allied services, industrial and commercial machinery and equipment, guided missile and space vehicle parts, and auxiliary equipment operations that were carried out by K.K. Precision Industries Inc.</p> <p>Twenty-five records were identified in the SCT database to be associated with properties within 250 metres of the Site. The records were generally associated with coating, engraving, heating treating and allied activities, metal working, and the manufacturing of carpet, clothing, furniture, semiconductor and other electronic component, cabinet and counter top, metal and wire fixtures, cutlery and hand tools, windows and doors, medical equipment and supplies, food, and plastic products.</p>			
Anderson's Storage Tanks (TANK)	None	0	0
Commercial Fuel Oil Tanks (CFOT)	None	0	7

Based on the results of the ERIS database search, the Site was historically used as a machine shop, and for operations associated with coating, engraving, and allied services, and industrial and commercial machinery and equipment manufacturing. K.K. Precision Industries Inc. and Precinda Ltd., which carried out these operations, were identified as generators of waste oils/sludges (petroleum based) and emulsified oils for various years between 1997 and 2010. These historical operations were identified as a potential environmental concern at the Site.

Based on the results of the ERIS database search, the properties adjacent to the north, east, and south of the Site were historically used for industrial operations associated with metal working, stamping, automotive repair operations, and manufacturing of cabinets and countertops. Superior Wire Works Inc., located at 112 Oakdale Road on the north adjacent property, was identified as a generator of waste oils/sludge (petroleum based), other inorganic acid wastes, alkaline wastes containing heavy metals, alkaline wastes containing other metals, neutralized wastes containing heavy metals, reactive anion wastes, inorganic laboratory chemicals, petroleum distillates, polymeric resins, halogenated solvents, oil skimmings and sludges, waste oils and lubricants, and organic laboratory chemicals for various years between 1986 and 2010. Apollo Circuits Ltd., located at 109 Oakdale Road (approximately 30 metres east of the Site), was identified as a generator of acid, alkaline, and neutralized wastes containing heavy metals, inorganic

laboratory chemicals, halogenated solvents, and organic laboratory chemicals for various years between 1997 and 2010. Bevel Stamping Co. Ltd., located at 111 Oakdale Road (approximately 30 metres northeast of the Site), was identified as a generator of petroleum distillates, aliphatic solvents, and halogenated solvents for various years between 1992 and 2010. Oakdale Kitchens Ltd., located at 92 Oakdale Road on the south adjacent property, was identified as a generator of aromatic solvents, and paint/pigment/coating residues for various years between 1993 and 2004.

No specific information was provided regarding the storage and handling of liquid and hazardous wastes on the surrounding properties. Specifically, no information concerning the quantities of chemicals historically used, or the ultimate disposition location for waste generated, was identified. On this basis, operations conducted on adjacent properties were identified as a potential source of environmental impairment to the Site.

## 2.2 HISTORICAL RECORDS REVIEW

Historical land use of the Site was investigated by CRA through a review of Property title records, historical city directories, available fire insurance plans, aerial photographs of the Site and surrounding area, and previous environmental reports.

### 2.2.1 PROPERTY TITLE RECORDS

CRA contracted Meridian Land and Title Searching Services to conduct a search of Property title records and other documents (lease agreements, easements, environmental liens, etc.) associated with the ownership or occupation of the Site. Based on records provided to CRA, the Site is legally described as: *Lots 125 and 126 on Plan M-770, City of Toronto.*

The chain-of-title for the Property, as identified from the Property title search, is as follows:

<i>Registered Owner</i>	<i>Ownership Period</i>
George Jackson	Prior to 1891
Eliza Duncan (50%) and James Duncan (50%) (estate of George Jackson)	1891 – January 1910
Harriet A. Peters	January 1910 – September 1925
James R. Lancaster	September 1925 – 1928
Anna Maria MacLeod Whelan	1928 – May 1945

Samuel L. Stanley	May 1945 – August 1948
Alice N. and Neil C. Glaves	August 1948 – unknown date
Charles M. DeGroot	unknown date - May 1951
James Elliott	May 1951 – September 1952
James W. Rowland (estate of James Elliott)	September 1952 – October 1952
Matthew A. Leitch	October 1952 – March 1956
Murray Cohl	March 1956 – September 1963
Harry Frimerman	September 1963
Ofelea Realty Ltd. and Paula Realty Ltd. (Lot 125)	September 1963 – November 1964
Bruce William Johnston (Lot 126)	September 1963 – November 1964
Maple Machine & Tool Co. Limited	November 1964 – July 1998
Precisiontek Industries Limited	July 1998 - Present
(name change to Precinda Inc. in 2004)	

The following leases were registered on title at the Property:

<i>Registered Lease(s)</i>	<i>Date of Lease</i>
Coolbreeze Air Conditioning & Heating Limited	December 1985
K.K. Precision Industries Inc.	September 1996

A copy of the Property title search documents that were obtained as part of the Phase I ESA is provided in Appendix C.

## 2.2.2 HISTORICAL CITY DIRECTORIES

Historical city directories generally document the occupants of municipal addresses on a yearly basis. CRA reviewed historical city directories at the Toronto Reference Library for the years 1961, 1971, 1981/1982, 1985/1986, 1991, and 2001. The Site was first listed in the 1966 city directory.

<i>Year</i>	<i>Listed Site Occupant (s)</i>
1966 – 1975	Maple Machine Tool Co. Ltd.
1976 – 1981	Eaton Yale Ltd.
1983	Yale Industrial Trucks (Ontario) Ltd.
1985/1986 – 1989	Cool-Breeze Air Conditioning & Heating Ltd.
1991 – 1995	Air Heat Supplies
1998 – 2001	K.K. Precision Industries Inc.

CRA also reviewed historical city directories for the properties in the area of the Site. A summary of surrounding occupants is summarized below.

<i>Address</i>	<i>Listed Occupant (s)</i>
112 Oakdale Road (north of the Site)	-AD Art Design Depot, AK Towing Car Sales, Homa Technical Services Inc., Sat-tronix Satellite Repair Centre, and Superior Wire Works were listed in 2001 -Superior Wire Works was listed in 1981/1982 and 1991
120 Oakdale Road (north of the Site)	-Kobi's Cabinets Ltd. and Rexdale Alternator & Starter Rebuilders were listed in 2001 -Promotional Designs Ltd. and Kobi's Cabinets Ltd. were listed in 1991 -Canadian Indexable Cutting Tools Ltd., Kobi's Cabinets Ltd., and Yugodex Tool Co. were listed in 1981/1982 -Kobi's Cabinets Ltd. and Rivalda Machine Products Ltd. were listed in 1971
101 Oakdale Road (east of the Site)	-A multi-tenant industrial/commercial building including A&A Custom Cabinet, ALM Carpet Machinery, Best West Car Audio, D&D Towtruck Builder, Expert Metal & Brass Polishing, Manierka Peter & Co. Ltd., Super Deal Body Shop Painting Sales & Service, and Union Pro Sportswear, was listed in 2001 -A multi-tenant industrial/commercial building including Metro Community Social Services, Monique Lighting Co., Northwest Manufacturing, and Post Trite Systems Ltd., was listed in 1991 -A multi-tenant industrial/commercial building including Instech Corp. Northwest Manufacturing Co., Bloomingdale Apparel Co. Ltd., Cansotech International Inc., Postrite Systems Ltd., and The Funny Bone, was listed in 1981/1982 -A multi-tenant industrial/commercial building including One-O-One Restr Ltd., Oakdale Restr, Bach-Simpson Ltd., Qualified Sheet Metal, Raber Imports, Neusser E. K. Machine Co. Ltd., and Power Regulators Co. of Canada, was listed in 1971

<i>Address</i>	<i>Listed Occupant (s)</i>
109 Oakdale Road (east of the Site)	-Apollo Circuits Ltd. was listed in 2001 -Asco Manufacturing Ltd. was listed in 1991 -Asco Manufacturing Ltd. and Blue Wing Industries were listed in 1981/1982 -Asco Manufacturing Co. Ltd. and Orli Metal Products Ltd. were listed in 1971
111 Oakdale Road (northeast of the Site)	-Bevel Stamping Co. Ltd. was listed in 1971, 1981/1982, 1991, and 2001
115 Oakdale Road (northeast of the Site)	-Bevel Stamping Co. Ltd. was listed 2001 -Residential Siding & Soffit Inc. was listed in 1981/1982 and 1991 -Elm Woodwork Ltd. was listed in 1971
119-121 Oakdale Road (northeast of the Site)	-J Senior's was listed in 2001 -K.K. Precision Parts Ltd. was listed in 1991 -Keele Electric Ltd. and D'Amato Rentals Ltd. were listed in 1981/1982 -Trailwind Products (trailer aluminum windows) was listed in 1971
90 Oakdale Road (south of the Site)	-Not listed in 2001 -V&D Window International Co. was listed in 1991 -Multitone Electronics Ltd. was listed in 1981/1982 -Hercules Food Equipment Ltd. and Canadian Indexable Cutting Tools Ltd. were listed in 1971
92 Oakdale Road (south of the Site)	-Oakdale Kitchens Ltd. was listed in 1991 and 2001 -Berloni-Kitchens International Inc. and Spectrum Auto Repair Services were listed in 1981/1982 -Gold Star Sales Ltd. (trading stamps) was listed in 1971

There were no listings for the surrounding properties prior to the early 1960s.

### 2.2.3 FIRE INSURANCE PLANS

Fire insurance plans assist in the identification of historic land use and commonly indicate the existence and location of aboveground and underground storage tanks, structures, improvements, and facility operations. CRA contacted Risk Management Services (RMS) to search for available historic fire insurance plans for the Site and

adjacent lands. RMS did not identify any fire insurance plans for the Site. An Inspection Report from 1983 and an Inspection Plan from 1982 were identified for the Site.

**1982 Inspection Plan:** The 1982 Inspection Plan shows the layout of the building at the Site that consisted of a repair shop in the east portion of the building, a parts storage area at the southwest portion of the building, offices in the west central portion of the building, and storage in the northwest portion of the building. The Site was owned by Maple Machine & Tool at that time.

**1983 Inspection Report:** The 1983 Inspection Report indicated that the Site was occupied at the time by Yale Industrial Trucks Ontario Limited, which utilized the Site for the service and repair of heavy duty industrial lift trucks. The Inspection Report notes that routine maintenance involving oxy-acetylene welding, and spray painting were done at the facility. Small quantities of paints and solvents were kept in a standard flammables liquids metal cabinet. The Site building was noted as being constructed in the 1950s and was heated with natural gas fired suspended radiant unit heaters. The Inspection Report also notes that the transformers at the Site were not PCB-filled.

A copy of the documentation received from RMS is included in Appendix D.

#### 2.2.4 **AERIAL PHOTOGRAPHS**

Aerial photographs were reviewed to generally document the development of the Site and properties in the vicinity of the Site and to identify the existence of any significant actual or potential areas of environmental impairment at the Site. Aerial photographs or satellite images of the Site and surrounding area were obtained by CRA for the years 1939, 1949, 1960, 1970, 1980, 1988, and 1999.

**1939 Aerial Photograph (Scale 1:20,000):** Review of the 1939 aerial photograph indicates that the Site and surrounding lands consisted primarily of agricultural land.

**1949 Aerial Photograph (Scale 1:20,000):** Review of the 1949 aerial photograph indicates that the Site remained as agricultural land. Highway 400, located adjacent to the west side of the Site appeared to have been under construction during that time. There had been no other significant changes in land use on the surrounding properties since 1939.

**1960 Aerial Photograph (Scale 1:25,000):** Review of the 1960 aerial photograph indicates that the Site remained undeveloped. Oakdale Road was present adjacent to the east side of the Site. Properties to the northeast of the Site, on the opposite side of Oakdale Road appear to have been developed for industrial use since 1949. Properties further east of the Site had been developed for residential purposes. There had been no other significant changes in land use on the surrounding properties since 1949.

**1970 Aerial Photograph (Scale 1:25,000):** Review of the 1970 aerial photograph indicates that the Site had been developed for industrial use since 1960. The properties to the north, east, and south of the Site had also been developed for industrial use since 1960. The properties further west of the site, on the opposite side of Highway 400, appear to have been developed for industrial purposes. There had been no other significant changes in land use of the surrounding properties since 1960.

**1980 Aerial Photograph (Scale 1:25,000):** Review of the 1980 aerial photograph indicates that a large addition had been constructed on the east side of the building adjacent to the north of the Site. The land use of the Site and the other surrounding properties remain unchanged since 1970.

**1988 Aerial Photograph (Scale 1:25,000):** Review of the 1988 aerial photograph indicates that the land use of the Site and the surrounding properties remain unchanged since 1980.

**1999 Aerial Photograph (Scale 1:6,000):** Review of the 1999 aerial photograph indicates that the land use of the Site and the surrounding properties remain unchanged since 1988.

Copies of the aerial photographs are included in Appendix E.

## 2.2.5 PREVIOUS ENVIRONMENTAL REPORTS

CRA reviewed the following environmental report prepared for the Site:

- Phase I Environmental Site Assessment, 104 Oakdale Road, Toronto, Ontario, prepared for Precinda Inc., prepared by AiMS Environmental, dated August 9, 2007



## Phase I Environmental Site Assessment – 2007

In 2007, AiMS Environmental (AiMS) was retained by Precinda Inc. to conduct a Phase I ESA of the property located at 104 Oakdale Road in Toronto, Ontario. AiMS made the following conclusions in the Phase I ESA:

- The Site was occupied by K.K. Precision as a manufacturing facility of gas turbine components.
- Historical information reviewed by AiMS in the city directories indicated that the Site was formerly occupied as a machine shop and a manufacturing facility for air conditioning and heating equipment.
- Large amounts of pooled waste oil, coolants, and lubricants were observed in below grade, concrete collection trenches associated with metal fabricating machines.
- Pooled waste solution was observed in the central portion of the prototype testing area (known as the Non-Destructive Test area). This area was equipped with a drying oven, a fume hood, and a parts washer containing a large quantity of water-based florescent solution that was reportedly used in testing operations.
- The northeastern portion of the manufacturing plant, which was used for the storage of parts and supplies, housed a portable silo AST containing hydraulic oil, a 1000-L storage tote containing lubricating oil, and a number of 205-L drums of new oils, lubricants, and greases used for servicing on-Site equipment.
- Localized staining was observed throughout the facility, particularly in the vicinity of the metal fabricating machinery and AST, as well as in the vicinity of totes and drums stored both outdoors and within the manufacturing facility.
- A groundwater monitoring well was observed on the asphalt pavement of the adjacent property to the north of the Site, approximately 1 metre from the north property boundary of the Site.
- Fill and vent pipes, typically indicating the presence of an underground storage tank, were observed on a property located approximately 30 metres northeast of the Site.

## 2.3 GEOLOGICAL AND HYDROGEOLOGICAL SETTING

The Site is located in the broad physiographic region known as the Peel Plain. This region extends across the central portions of the Regional Municipalities of York, Peel, and Halton and consists of a level-to-undulating tract of clay soils<sup>1</sup>.

The Site is relatively flat with a gentle slope to the south. Regional topography slopes steadily downward to the southwest. The Site is situated approximately 1.4 kilometres northeast of the Humber River. The elevation of the Site is approximately 150 metres above mean sea level (amsl)<sup>2</sup>.

A review of quaternary geology for the Site indicates that the overburden in the vicinity of the Site consists of deeper-water Peel ponds deposits that are comprised of silt and clay<sup>3</sup>.

Based on the topography of the area, the regional groundwater flow direction is suspected to be predominantly southwest towards the Humber River. Shallow groundwater flow direction, can be influenced by the presence of underground utility lines or other underground structures. Potable water for the City of Toronto is obtained from Lake Ontario.

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<sup>1</sup> Chapman, L.J., and D.F., Putnam (1984), *"The Physiography of Southern Ontario"*, Ontario Geological Survey.

<sup>2</sup> National Topographic Database (2010), [www.atlas.nrcan.gc.ca](http://www.atlas.nrcan.gc.ca).

<sup>3</sup> Ontario Geological Survey (1980), Map P. 2204, Quaternary Geology, Toronto and Surrounding Area, Scale 1:100,000.

### 3.0 SITE INSPECTION

On August 2, 2011, Mr. Cory Ostrowka and Ms. Pearl Lai of CRA completed a Site inspection of the industrial building and Property located at 104 Oakdale Road in Toronto, Ontario. As part of the Phase I ESA, CRA interviewed the following personnel:

<i>Facility Contact</i>	<i>Position</i>	<i>Years Familiar With The Facility</i>
Mr. Andrew Lee	Chief Financial Officer	2006 - Present

Mr. Lee provided information concerning the past and current use of the Site. Mr. Lee accompanied Mr. Ostrowka and Ms. Lai of CRA during the Site inspection. CRA did not have access to the roof of the building during the Site inspection. Photographs of the building and Property are included in Appendix F.

### 3.1 SITE OVERVIEW

#### 3.1.1 BUILDING AND PROPERTY

The Site is located at 104 Oakdale Road in an industrial area of Toronto, Ontario. The Site is approximately 0.73 hectares (1.8 acres) in size, irregular in shape, and located in the northwest portion of Toronto on the east side of Highway 400.

The Site contains one building occupied by K.K. Precision Inc. The building is irregular in shape and has a total area of approximately 2,600 square metres (28,000 square feet) that includes a manufacturing plant area in the majority of the building and an office section at the southwest portion of the building. Based on available information, the building was constructed in the 1960s. The building is constructed with structural steel and exterior concrete block, brick-faced walls, a concrete slab-on-grade floor, and a flat steel roof. The northeast and southeast sections of the plant area include one floor level overhead door and one dock level overhead door. The office area includes ceramic and vinyl tiled areas with drywall formed and removable plastic paneled walls, and ceiling tiles.

The exterior surfaces surrounding the building are primarily asphalt covered. The Site can be accessed from the east via asphalt driveways that extend from the northeastern and southeastern corners of the Site to Oakdale Road. The Property is relatively flat with the ground surface sloped gently towards the south Property boundary.

### 3.1.2 CURRENT SITE OPERATIONS

The Site has been occupied by K.K. Precision Inc. since 1996 for the manufacturing of gas turbine components. Unfinished components are shipped to the facility and are processed with a series of lathes and milling machines located in the plant. The components are transferred between the machines by several ¼-ton overhead cranes. Two battery powered forklifts are used to transfer parts and other materials such as waste metal grindings, and drums of oils, solvent, and cutting fluids throughout the building.

A non-destructive testing (NDT) area is located in the northwest portion of the building. In the NDT area, a water-based fluorescent chemical (Ardrox 970P25E) is applied onto the surface of the turbine components and examined under ultraviolet light to inspect for deficiencies.

An assembly area is located to the south of the NDT area and a quality inspection and engineering area is located in the southwest section of the building.

### 3.1.3 HISTORICAL SITE OPERATIONS

The Site was first developed for industrial use in the 1960s. Based on available information, the Site was occupied by Maple Machine Tool Co. Ltd. as a machine shop from the time the building was constructed until 1975. From 1976 to at least 1983, Eaton Yale Ltd. (named changed later to Yale Industrial Trucks (Ontario) Ltd.) occupied the Site as a repair shop for heavy duty industrial lift trucks. Routine maintenance operations by Eaton Yale Ltd. included spray painting which was done in a sprinklered spray booth. Small quantities of paints and solvents (approximately 45.5 litres or 10 gallons) were kept in a standard flammable liquids metal cabinet. The Site was later occupied by Cool Breeze Air Conditioning & Heating Ltd. from 1985 to at least 1989 and Air Heat Supplies from 1991 to at least 1995 as a distribution warehouse for air conditioning and heating equipment. No specific information concerning the operations conducted at the Site by Maple Machine Tool Co. Ltd., Eaton Yale Ltd., Yale Industrial Trucks (Ontario) Ltd., Cool Breeze Air Conditioning & Heating Ltd., or Air Heat Supplies (such as how wastes were disposed of) was obtained during the Phase I ESA.

### 3.1.4 UTILITY SERVICES

Electricity is supplied overhead to the Site by Toronto Hydro. The Site is serviced with natural gas by Enbridge Gas Distribution Inc. The manufacturing plant is heated by natural gas-fired ceiling mounted unit heaters. The office area is heated and cooled by roof mounted HVAC units.

The Site is serviced with municipal potable water services supplied by the City of Toronto. Mr. Lee was not aware of any potable water wells at the Site. At the time of the Site inspection, there was no visual evidence suggesting that a water well was located at the Site. A groundwater monitoring well was observed on the north adjacent property, approximately 1 metre from the northern Property boundary.

Mr. Lee stated that domestic wastewater from the washrooms and lunchroom areas in the office portion of the building discharge to the municipal sanitary sewer system operated by the City of Toronto. Mr. Lee was not aware of a septic system at the Site. At the time of the Site inspection, there was no visual evidence suggesting that a septic system was located at the Site.

Stormwater generated on the Site either infiltrates the ground surface, or flows overland to the south towards storm sewers located in the asphalt covered areas in the southern portion of the Site or onto Oakdale Road. The stormsewers are connected to the municipal stormwater system operated by the City of Toronto.

### 3.2 ENVIRONMENTAL SETTING

The Site is located in an area of Toronto that has been developed for industrial land use since the 1960s. There are no surface water bodies or watercourses located on the Property. The Site is situated approximately 1.4 kilometres northeast of the Humber River.

The properties adjacent to the Site were visually inspected, without accessing the properties, for evidence of existing or potential environmental concerns related to the Phase I ESA. CRA also visually inspected other properties in the vicinity of the Site that were visible from the Site or surrounding streets. The following buildings or features were located on the properties surrounding the Site:

*North:* The Site is bounded to the north by industrial operations located on Oakdale Road that include Superior Wire Works and Selyan's Flooring.

Additional commercial and industrial properties are located further to the north.

*West:* The Site is bounded to the west by Highway 400. Additional industrial properties are located further to the west.

*South:* The Site is bounded to the south by an industrial operation located on Oakdale Road named Oakdale Kitchens. Additional industrial properties are located further to the south.

*East:* The Site is bounded to the east by Oakdale Road, an industrial operation named Bevel Stamping Co. Ltd, and a multi-tenant industrial building including Union Pro Sportswear, ALM Carpet Machinery, R&T Custom Cabinets, ACE Woodcraft, Ricky D Auto Electronics, and D&D Tow Truck Equipment. Single family dwellings are present further to the east.

Facility personnel were not aware of any environmental impacts to the Site attributable to operations conducted on adjacent lands. No visual evidence of any adverse environmental impact to the Site attributable to operations conducted on adjacent properties was observed by CRA during the Site inspection.

### 3.3 UNDERGROUND STORAGE TANKS (USTs)

Mr. Lee stated that there have never been any USTs located at the Site to the best of his knowledge. At the time of the Site inspection, no physical evidence (e.g., vent pipes, fill pipes, etc.) suggesting the presence of USTs at the Site was observed by CRA.

### 3.4 ABOVEGROUND STORAGE TANKS (ASTs)

A vertical steel AST with an approximate volume of 1,000 litres of new hydraulic oil was observed near the overhead door at the northeast portion of the manufacturing plant. At the time of the Site inspection, no visible or olfactory evidence of leakage from the tank was observed. The concrete floor slab in the vicinity of the AST appeared to be intact (i.e. free of cracks).

### 3.5 CHEMICAL AND RAW MATERIAL USE AND STORAGE

Four metal drums containing coolant (Cimstar 60C), rust inhibitor (Rust Veto 4214-HF, mineral spirits, and lubricant were stored on a dispensing rack near the overhead door at the northeast portion of the manufacturing plant. Small pools of chemicals were observed in the vicinity of the spill containment tray that was set up at the base of the dispensing taps. A large plastic storage tote containing new lubricant (Waylube 68) was stored on a metal rack above the chemical dispensing area. The concrete floor slab in the area where the chemicals were stored appeared to be intact (i.e. free of significant cracks).

Two small metal drums of water-based fluorescent penetrant (Ardrox 970P25E) and a small plastic pail of acetone were stored underneath a workbench located in the NDT area. No visible or olfactory evidence of spillage was observed in this area.

Four plastic totes containing fluorescent liquid waste from the NDT area and metals bins containing waste metal grindings were observed in an outdoor storage area located at the northeast portion of the Site. When full, the plastic totes are removed off-Site by Green For Life Environmental Corp., a private liquid waste services contractor. Evidence of some localized stains was observed in this area.

Mr. Lee was not aware of any significant spills or releases of chemicals used and stored on Site. No other evidence of significant spills/releases was observed by CRA at the time of the Site inspection.

### 3.6 FLOOR DRAINS, PITS, AND SUMPS

Two shallow concrete pits, which extended from the north end to the south end of the manufacturing plant, were observed below the base of the metal working machines. Coolant and hydraulic oil that leak from the machine are drained into the pits. According to Mr. Lee and other plant staff, the liquids accumulated in the pits are pumped out approximately once a month by Green For Life Environmental Corp, a private liquid waste services contractor.

Floor drains were observed in the north section of the plant and in a file storage room located in a partial basement below the office section of the building. No operations that may result in the spillage of chemicals were conducted in the vicinity of the floor drains.

A sump was observed in the NDT area that was used to collect the fluorescent water-based solution used for testing the integrity of the turbine components. The liquid wastes drains into the sump, which is connected downstream to a waste splitter that separates the fluorescent material from the water through a filtration system. The fluorescent liquid waste is collected in a large plastic drum and the water is released into the sanitary system.

### 3.7 WASTEWATER/SEWERS

Mr. Lee stated that domestic wastewater from the washrooms and lunchroom areas in the office portion of the building discharge to the municipal sanitary sewer system operated by the City of Toronto.

No specific information concerning wastewater discharge during the historical operations conducted at the Site by the former air conditioning and heating equipment distribution, truck repair, and machine shop operations was obtained during the Phase I ESA.

### 3.8 STORMWATER/SURFACE WATER

Stormwater generated on the Site either infiltrates the ground surface, or flows overland to the south towards storm sewers located in the asphalt covered areas in the southern portion of the Site or onto to Oakdale Road. The stormsewers are connected to the municipal stormwater system operated by the City of Toronto.

No sources of adverse impact to stormwater generated at the Site were observed by CRA during the Site inspection. At the time of the Site inspection, no visual evidence of impact from surface water run-on from the adjacent properties was observed by CRA.

### 3.9 SOLID WASTE/RECYCLABLE MATERIALS

Based on information provided by Mr. Lee and observations made by CRA, solid waste and recyclable materials historically generated at the Site included the following:

- Scrap metal grindings
- Waste paper/cardboard
- General office waste



Wastes generated at the Site include primarily paper, cardboard and scrap metal grindings from the machining of gas turbine components. The remainder of the waste consists of general office waste that is placed in a dumpster located at the southeast corner of the building. The office waste and cardboard-containing dumpsters are emptied twice a week by BFI, a private solid waste services contractor. The waste metal grindings are placed in metal bins of various sizes located east of the building and collected as needed by Attar, a private recycling contractor.

Mr. Lee stated that, to his knowledge, no solid wastes have been accumulated or disposed of on Site. At the time of the Site inspection, no visual evidence of on-Site solid waste disposal was observed by CRA.

### **3.10 SUBJECT WASTE/HAZARDOUS WASTE**

The Site is currently registered with the MOE as a Subject/Hazardous Waste generator. Based on a review of the ERIS database report, KK Precision Parts Ltd. was identified as a generator of waste oils/sludges (petroleum based) and emulsified oils for various years between 1997 and 2010. Precinda Ltd. was identified as a generator of emulsified oils in 2005.

These wastes accumulate in the concrete pits located beneath the machinery in the manufacturing area. According to Mr. Lee and other plant staff, the liquids accumulated in the pits are pumped out approximately once a month by Green For Life Environmental Corp, a private liquid waste services contractor.

Mr. Lee was not aware of any on-Site disposal of Subject Hazardous Waste. No evidence of on-Site Subject or Hazardous Waste disposal was observed by CRA at the time of the Site inspection.

### **3.11 CHEMICAL SPILLS/RELEASES**

According to Mr. Lee, no reportable spill/releases incidents have occurred at the Site. No visual evidence of significant chemical spills or releases was observed by CRA during the Site inspection.

### 3.12 ASBESTOS-CONTAINING MATERIALS (ACM)

The presence of asbestos-containing materials (ACM) was investigated through visual observations made by CRA. No intrusive investigations were conducted to examine the areas of concealed space for the presence of ACM. Mr. Lee was not aware of any ACM being present in the on-Site building or of an ACM Survey ever being conducted for the Site. Based on observations made by CRA, potential ACM at the Site includes the following:

- Drywall in the office areas of the building
- Ceiling tiles in the office area of the building
- General building materials (i.e., roof materials, window caulking, etc.)

At the time of the Site inspection, all potential ACM identified above appeared to be in good condition.

### 3.13 POLYCHLORINATED BIPHENYLS (PCBs)

According to Mr. Lee, no PCB-containing equipment has been used, stored, or handled at the Site. At the time of the Site inspection, potential PCB-containing equipment observed by CRA included a pad-mounted electrical transformer operated by Toronto Hydro that is present on the eastern portion of the Site, on the grassed-area.

Additional potential PCB-containing equipment observed by CRA was limited to the ballasts in the fluorescent light fixtures and high density discharge lighting located in the building. At the time of the Site inspection, the light fixtures were observed to be in good working order. Based on the age of the building, it is possible that some of the older ballasts may contain PCBs.

Mr. Lee reported that, to his knowledge, no PCB-containing wastes are presently stored on Site. No evidence of on-Site PCB waste storage was observed by CRA during the Site inspection.

### 3.14 AIR EMISSIONS

Air emissions at the Site are limited to the exhausts from the natural gas-fired building heating equipment.

### 3.15 LEAD-BASED PAINT

The amount of lead in interior paint has been regulated since 1976 through Health Canada's Hazardous Products Act. Based on the age of the building (1960s), it is possible that lead-based paint is present. In general, all painted surfaces were found to be in good condition.

### 3.16 IONIZING RADIATION

Mr. Lee reported that he is not aware of any use or storage of commercial sources of ionizing radiation at the Site. At the time of the Site inspection, no evidence of ionizing radiation sources was observed at the Site by CRA. Mr. Lee also reported that to his knowledge, a radon gas survey has not been conducted at the Site.

### 3.17 REGULATORY AGENCY RECORDS

Mr. Lee reported that no concerns, complaints, notices of violation, or directives of an environmental nature have been issued against the Site by federal, provincial, or municipal environmental regulatory agencies.

The MOE was contacted by CRA to provide information as to any past complaints, violations, and/or MOE directives concerning the Site. To date, no information has been received from the MOE. Typically, the MOE takes approximately 8 to 12 weeks to process a file search. CRA will forward a copy of the file search under separate cover to ITW, if the file search identifies any environmental concerns.

The Technical Standards and Safety Authority (TSSA) was contacted by CRA and asked to provide information concerning licensed (retail fuel outlets) or registered (private fuel outlets) underground storage tanks located at the Site. TSSA personnel reported to CRA that their records do not identify the presence of any licensed or registered underground storage tanks at the Site. A copy of the TSSA correspondence is included in Appendix G.


CRA reviewed the Ontario Ministry of Natural Resources' - "Natural Heritage Information Centre" database to identify areas registered as Areas of Natural or Scientific Interest (ANSI) within a one kilometre radius of the Site. No records were identified in the ANSI database for properties within a two kilometre radius of the Site.

#### 4.0 CONCLUSIONS

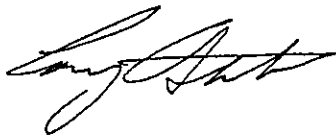
Based on the results of the Phase I ESA, including information provided by facility representatives and regulatory agencies, and historical documents reviewed, the following potential areas of environmental concerns were identified to be associated with the Site.

- i) **Current Site Operations:** Based on the findings of the Site inspection, two shallow concrete pits, which extend from the north end to the south end of the manufacturing plant, were present below the base of the metal working machines. These concrete pits are used for collecting leaked coolant and hydraulic oil from the machines. Localized stains were observed throughout the facility, especially on the concrete floor slab in the northeast section of the plant and the exterior northeast section of the Site where drums and plastic totes containing hydraulic oil, coolant, and mineral spirits, or liquid wastes from the non-destructive testing area were stored. The potential for chemicals to seep into the surrounding soil through cracks in the walls or bases of the concrete pits, and from spills or leaks associated with the chemical storage areas were identified as potential sources of environmental impairment to the Site.
- ii) **Historical Site Operations:** Based on a review of historical information, former occupants of the Site included heavy-duty lift truck repair and machine shop operations. Very limited information was available concerning the types and quantities of chemicals used and stored at the Site in the past, or the nature of wastes generated at the Site in the past. In the absence of this information, these historical operations were identified as potential sources of environmental impairment to the Site.
- iii) **Historic Adjacent Land Use:** Based on a review of historical information, the properties adjacent to the north and east of the Site were occupied by industrial operations including metal working, stamping, and automotive repair operations. Fill and vent pipes associated with a possible underground storage tank had also been observed on a property located approximately 30 metres northeast of the Site. The historical industrial operations on properties located adjacent to the Site were identified as potential sources of environmental impairment to the Site, if chemical releases have occurred on these properties and migrated onto the Site.

All of Which is Respectfully Submitted,  
CONESTOGA-ROVERS & ASSOCIATES



Pearl Lai, B. Sc.

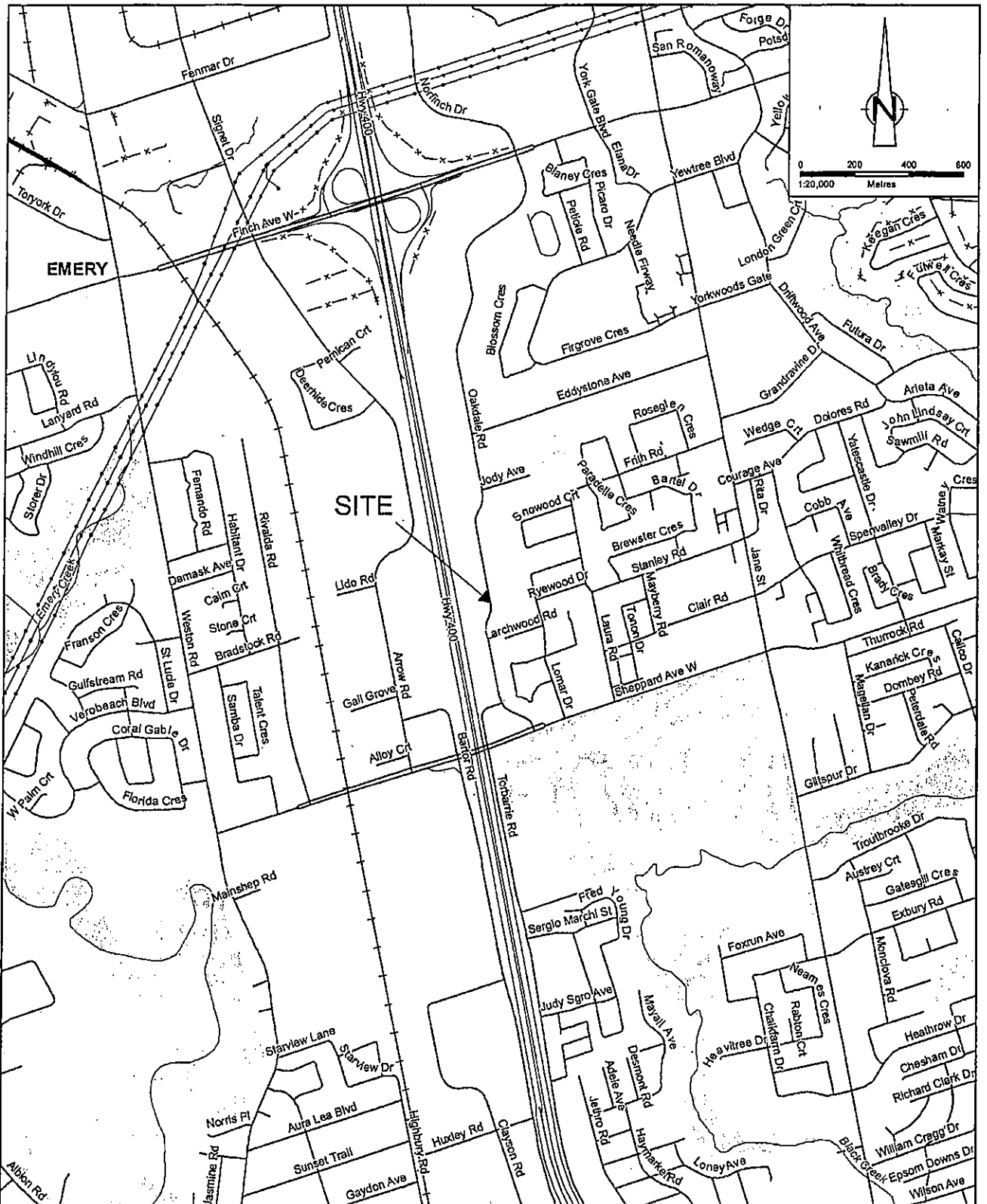


Cory Ostrowka, P. Eng.



Greg Brooks, P. Eng.

FIGURES



Source: MNR NRVIS, 2011. Produced by CRA under licence from Ontario Ministry of Natural Resources, © Queen's Printer 2011;  
 Coordinate System: NAD 1983 UTM Zone 17N

figure 1

**SITE LOCATION MAP**  
**PHASE I ENVIRONMENTAL SITE ASSESSMENT**  
**104 OAKDALE ROAD, TORONTO, ONTARIO**  
*River Associates Investments, LLC*



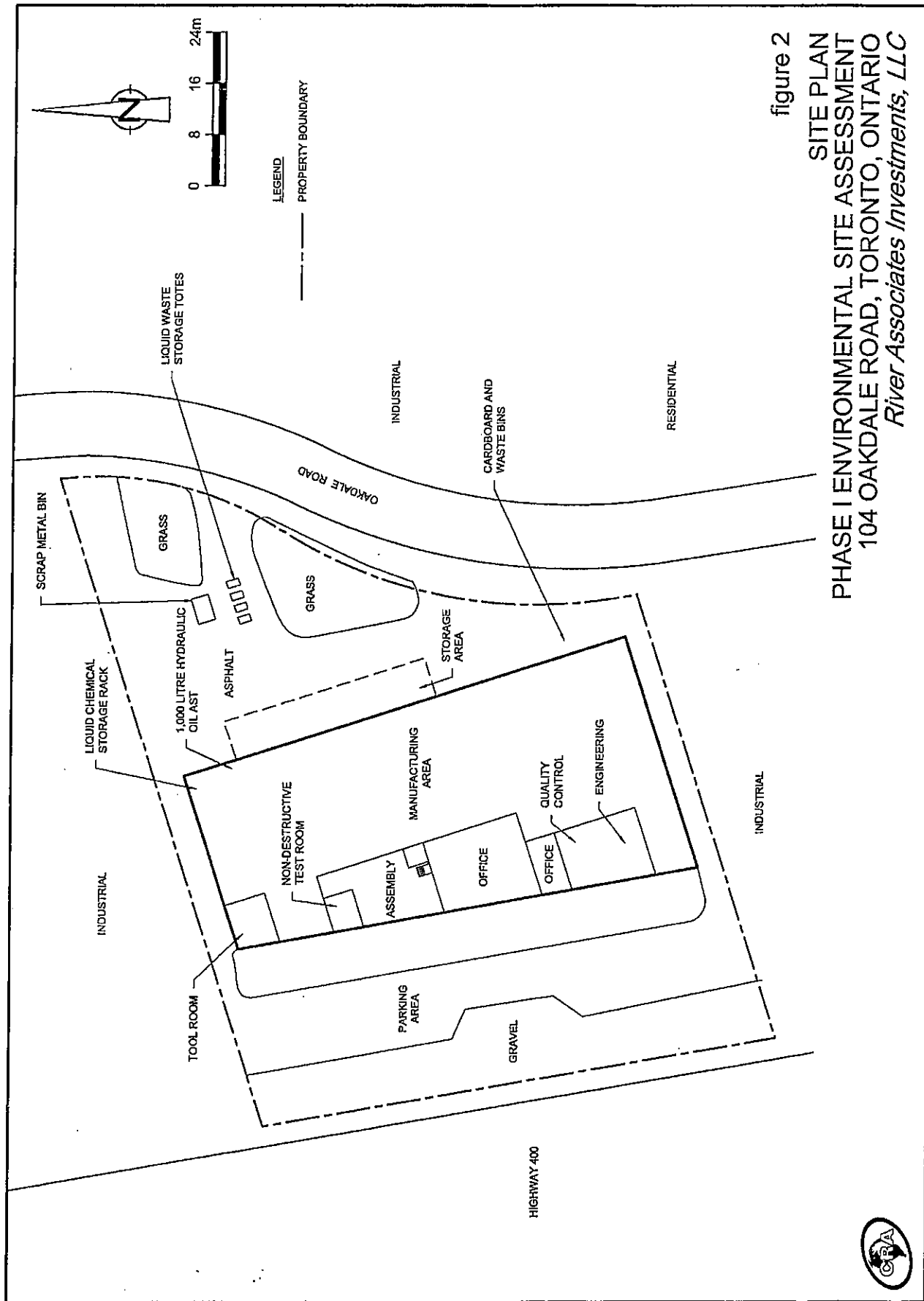


figure 2  
 SITE PLAN  
 PHASE I ENVIRONMENTAL SITE ASSESSMENT  
 104 OAKDALE ROAD, TORONTO, ONTARIO  
*River Associates Investments, LLC*





## APPENDIX H



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FINAL REPORT

## PHASE II ENVIRONMENTAL SITE ASSESSMENT

104 OAKDALE ROAD  
TORONTO, ONTARIO

Prepared for: 104 Oakdale Acquisition Corp. and  
Precinda Corp.

Conestoga-Rovers & Associates  
111 Brunel Road, Suite 200  
Mississauga, Ontario L4Z 1X3

July 2013 • #081278  
Report Number: 2

## EXECUTIVE SUMMARY

Conestoga-Rovers & Associates (CRA) was retained by 104 Oakdale Acquisition Corp. and Precinda Corp. to conduct a Phase II Environmental Site Assessment (ESA) at the property located at 104 Oakdale Road in Toronto, Ontario (Site or Property). The purpose of the Phase II ESA was to address the areas of potential environmental impairment (APEIs) identified in the Phase I ESA and assess the general environmental conditions at the Site. The APEIs identified in the Phase I ESA were related to the current use of the Site by K.K. Precision Inc. as a machine shop for the manufacturing of gas turbine components, the historical use of the Site for heavy-duty lift truck repair and machine shop operations, and the use of properties adjacent to the north and east of the Site for industrial operations including metal working, stamping, and automotive repair operations. No new APEIs were identified during the Phase II ESA.

Six (6) boreholes were advanced on Site and instrumented as monitoring wells. Soil and groundwater samples were submitted to a certified laboratory for analysis of one or more of grain size, petroleum hydrocarbon fractions F<sub>1</sub> to F<sub>4</sub> (PHC F<sub>1</sub>-F<sub>4</sub>), volatile organic compounds (VOCs), and metals.

The soil and groundwater analytical data were assessed to the 2011 Ministry of the Environment (MOE) full depth generic site condition standards in a non-potable groundwater condition (Table 3) for industrial/commercial/community property use as referenced in Ontario Regulation 153/04, as amended.

Based on the results of this investigation, the following conclusions are provided:

- The geologic deposits underlying fill materials at the Site consist of native silty sand underlain by native clayey silt till.
- The shallow groundwater flow in the overburden at the Site is generally in a westerly direction.
- All soil samples submitted for laboratory analysis had concentrations below the 2011 MOE Table 3 standards. Based on these results, there is no evidence of soil impacts.
- All groundwater samples had concentrations below the 2011 MOE Table 3 standards. Based on these results, there is no evidence of groundwater impacts.
- Based on the results of the Phase II ESA, there is no further site assessment or remediation work recommended for the Site at this time.

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FIGURE 3	GROUNDWATER ELEVATION CONTOURS (JUNE 26, 2013)

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TABLE 1	SAMPLE IDENTIFICATION KEY AND ANALYTICAL PARAMETERS
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## 1.0 INTRODUCTION

Conestoga-Rovers & Associates (CRA) was retained by 104 Oakdale Acquisition Corp. and Precinda Corp. to conduct a Phase II Environmental Site Assessment (ESA) of the industrial property and building located at 104 Oakdale Road in Toronto, Ontario (Site or Property). The objective of the Phase II ESA was to determine the soil and groundwater quality in the areas of potential environmental impairment identified in the Phase I ESA and assess the general environmental conditions at the Site. The Phase II ESA was completed to document the environmental conditions at the Site in support of financing, a sale of the Property, and in connection with a prior sale of K.K. Precision Inc. It is CRA's understanding that the land use will remain industrial in the foreseeable future and a Record of Site Condition (RSC) is not intended to be filed for the Property.

### 1.1 SITE DESCRIPTION

The Site is located at 104 Oakdale Road in Toronto, Ontario (Figure 1). The Property is approximately 0.73 hectares (1.8 acres) in size and irregular in shape. The Site contains one single-storey building that is approximately 2,600 square metres (28,000 square feet) in size. The Site is located in an area of Toronto that has been developed for industrial land use since the 1960s. The Site plan is shown on Figure 2.

The exterior surfaces surrounding the building consist of asphalt-paved driveways and areas for parking, loading, and storage. The Site can be accessed from the east side of the Property via two asphalt-paved driveways on Oakdale Road. The Property is relatively flat with the ground surface sloped gently towards the south Property boundary.

The Site is relatively flat with a gentle slope to the south. Regional topography slopes steadily downward to the southwest. The Site is situated approximately 1.4 kilometres northeast of the Humber River. Based on the topography of the area, the regional groundwater flow direction is suspected to be predominantly southwest towards the Humber River. Shallow groundwater flow direction, can be influenced by the presence of underground utility lines or other underground structures. Underground utilities in the area of the Site where the work was performed include telephone, natural gas, water, sanitary sewer, and electrical services.

## 1.2 BACKGROUND

CRA completed the report entitled "Phase I Environmental Site Assessment, Light Industrial Facility, 104 Oakdale Road, Toronto, Ontario" dated August 2011. Based on the results of the Phase I ESA, the following areas of potential environmental impairment (APEIs) were identified to be associated with the Site.

- i) **Current Site Operations:** The Site is currently occupied by K.K. Precision Inc. as a machine shop for the manufacturing of gas turbine components. Based on the findings of the Phase I ESA Site inspection, two shallow concrete pits, which extend from the north end to the south end of the manufacturing plant, were present below the base of the metal working machines. These concrete pits are used for collecting leaked coolant and hydraulic oil from the machines. Localized stains were observed throughout the facility, especially on the concrete floor slab in the northeast section of the plant and the exterior northeast section of the Site where drums and plastic totes containing hydraulic oil, coolant, and mineral spirits, or liquid wastes from the "non-destructive testing" area were stored. The potential for chemicals to seep into the surrounding soil through cracks in the walls or bases of the concrete pits, and from spills or leaks associated with the chemical storage areas were identified as potential sources of environmental impairment to the Site.
- ii) **Historical Site Operations:** Former occupants of the Site included heavy-duty lift truck repair and machine shop operations. Very limited information was available concerning the types and quantities of chemicals used and stored at the Site in the past, or the nature of wastes generated at the Site in the past. In the absence of this information, these historical operations were identified as potential sources of environmental impairment to the Site.
- iii) **Historic Adjacent Land Use:** The properties adjacent to the north and east of the Site were occupied by industrial operations including metal working, stamping, and automotive repair operations. Fill and vent pipes associated with a possible underground storage tank had also been observed on a property located approximately 30 metres northeast of the Site. The historical industrial operations on properties located adjacent to the Site were identified as potential sources of environmental impairment to the Site, if chemical releases have occurred on these properties and migrated onto the Site.

## 2.0 SCOPE OF WORK

The Phase II ESA was conducted in general accordance with the document entitled "CSA Z769-00, Phase II Environmental Site Assessment" for conducting environmental site assessments. The work undertaken generally followed the protocols presented in Ontario Regulation 153/04. The Phase II ESA was completed in June and July 2013 and included the following activities:

- Obtaining utility clearances for the Site
- Preparation of a Site-specific health and safety plan (HASP)
- Advancement of six (6) overburden boreholes instrumented as monitoring wells
- Collection and analysis of soil samples for one or more of grain size, petroleum hydrocarbon fractions F<sub>1</sub> to F<sub>4</sub> (PHC F<sub>1</sub>-F<sub>4</sub>), volatile organic compounds (VOCs), and metals
- Collection of groundwater levels and groundwater samples from the six (6) new monitoring wells for analysis of one or more of PHC F<sub>1</sub>-F<sub>4</sub>, VOCs, and metals
- Preparation of a report documenting the field activities and laboratory analytical results

The rationale for the selection of the investigative locations is summarized in the table below and the investigative locations are presented on Figure 2.

### *Investigative Locations, Activity and Rationale:*

<i>Location</i>	<i>Activity</i>	<i>Rationale</i>	<i>Analysis</i>	
			<i>Soil</i>	<i>Groundwater</i>
MW1	Monitoring Well Installation	To investigate general soil and groundwater quality in the southeastern portion of the Site.	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals
MW2	Monitoring Well Installation	To investigate soil and groundwater quality in vicinity of liquid waste storage area.	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals
MW3	Monitoring Well Installation	To investigate general soil and groundwater quality downgradient of manufacturing area.	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals
MW4 and MW6	Monitoring Well Installation	To investigate soil and groundwater quality within the manufacturing area.	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals
MW5	Monitoring Well Installation	To investigate soil and groundwater quality in vicinity of bulk chemical storage area and hydraulic oil AST.	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals	PHC F <sub>1</sub> -F <sub>4</sub> , VOCs, metals



### 3.0 METHODOLOGY

#### 3.1 PLANNING

Prior to initiating subsurface activities all applicable utility companies (natural gas, cable, telephone, hydroelectricity, water, and sewers) were contacted to demarcate the location of their respective underground utilities. CRA also retained a private utility locating contractor (OnSite Locates) to demarcate any additional on-Site utilities on May 30, 2013.

A Site-specific HASP was prepared, reviewed, and implemented by CRA. A copy of the HASP was maintained on-site for the duration of the field activities.

#### 3.2 FIELD ACTIVITIES

##### 3.2.1 BOREHOLE ADVANCEMENT

On June 5 and 6, 2013, six (6) boreholes (MW1 to MW6) were advanced by Strata Soil Sampling Inc. (Strata), a Ministry of Environment (MOE)-licensed drilling contractor. A Geoprobe 7822DT track-mounted direct push drill rig equipped with 150 millimetre (6-inch) diameter solid-stem augers was utilized for borehole and monitoring well installation at MW1 to MW5. A Geoprobe 54LT track-mounted direct push drill rig was used for MW6. During the advancement of the boreholes, soil samples were collected continuously using plastic tube samplers over 1.5 metre (5 foot) intervals at MW1 to MW5, and over 1.2 metres (4 foot) intervals at MW6. A new plastic tube was used for each sampling interval. Boreholes were advanced to a maximum depth of 7.6 metres below ground surface (mBGS).

The samples collected from the boreholes were logged, detailing geologic conditions encountered, soil classification, stratigraphy, relative moisture content, field evidence of impact (i.e., odour, staining), and organic vapour headspace readings. The organic vapour headspace readings were completed using a MiniRae 2000 photoionization detector (PID) equipped with a 10.6 electron volt (eV) lamp calibrated according to the manufacturer's recommendations. The stratigraphic and instrumentation logs are provided in Appendix A.

Soil samples collected from each borehole were screened in the field for evidence of impact based on visual and olfactory observations and undifferentiated VOC vapour readings, as measured by the PID. Soil samples that exhibited the strongest field evidence of impact and/or the highest PID reading were submitted to the laboratory for

analysis. Soil samples were collected in laboratory supplied sample containers specific to the analytical parameters. Select soil samples were submitted to Maxxam Laboratories (Maxxam), a Canadian Association for Laboratory Accreditation (CALA) certified laboratory, for chemical analysis of one or more of PHC fractions F<sub>1</sub>-F<sub>4</sub>, VOCs, and metals. A summary of soil samples submitted for laboratory analysis is presented in Table 1.

Prior to collection of samples and between each sampling event, all sampling tools were decontaminated with a phosphate-free detergent (i.e., Alconox®) and de-ionized water.

Surplus soils and purge water generated during the field activities were temporarily containerized on Site in 205 litre drums and stored outside on the east side of the Property. The drums (four soil cutting drums and one purge water drum) were removed from the Site on June 28, 2013 for off-Site disposal at a Da-Lee Environmental Services facility in Stoney Creek, Ontario by Assured Industrial Services.

### 3.2.2 MONITORING WELL INSTALLATION

Monitoring wells were installed in each of the boreholes (MW1 to MW6) using the track-mounted direct push drill rig to a depth of up to 7.6 mBGS. Monitoring wells MW1 to MW5 installed by the Geoprobe 7822DT were completed with 51 mm (2-inch) diameter riser pipe and a No. 10 slot, Schedule 40 PVC screen, 3.05 metres (10 feet) in length. Monitoring well MW6 installed by the Geoprobe 54LT was completed with 32 mm (1.25-inch) diameter riser pipe and a No. 10 slot, Schedule 40 PVC screen, 1.52 metres (5 feet) in length. A No. 1 silica sand pack was placed around the well screen interval to 0.3 metres above the top of the screen. A granular bentonite well seal was placed above the sand pack to 0.3 metres below ground surface (mBGS). A protective flushmount casing with a 0.3-metre thick concrete collar was placed around each well upon completion. Monitoring wells were screened across the groundwater table within a clayey silt till deposit based on field observations. Well completion details are presented on the stratigraphic and instrumentation logs and are provided in Appendix A and Table 2.

Each monitoring well was surveyed for horizontal and vertical control with respect to a local benchmark (top of the concrete floor slab on the north side of the southeast bay door) with an assumed elevation of 100.00 metres above site datum (mASD). The ground surface and top of riser pipe elevation of each monitoring well were surveyed with respect to the benchmark.

### 3.2.3 GROUNDWATER SAMPLE COLLECTION

Prior to groundwater sample collection, each monitoring well was developed to achieve chemical equilibrium. In order to ensure that samples representative of on-Site groundwater quality were obtained, the following protocol was followed:

- Groundwater level measurements were collected on June 13, 2013 and June 26, 2013 at each of the monitoring well locations. A summary of groundwater level measurements is presented in Table 3.
- The groundwater monitoring wells were equipped with a dedicated Waterra™ foot valve and polyethylene tubing for well development and sampling activities.
- The groundwater monitoring wells were purged a minimum of three to five well volumes. In the event that slow groundwater recharge conditions were encountered, the well was purged until dry and then allowed to recover prior to sample collection.
- Field measurements of temperature, pH, and electrical conductivity were taken at after each well volume was removed. Well volumes were removed until three consistent consecutive readings were obtained to demonstrate that chemical equilibrium had been reached.

Groundwater samples were collected on June 14, 2013 at all well locations using the Waterra tubing. The samples were placed directly into laboratory-supplied sample containers specific to the analytical parameters. Samples collected for metals analysis were field-filtered. It was noted that the sample collected from MW3 contained a significant amount of sediment, and it was realized that this had the potential to produce lab results not representative of actual groundwater chemistry in the vicinity of the well. Groundwater samples were submitted to Maxxam for chemical analysis of one or more of PHC F<sub>1</sub>-fractions F<sub>4</sub>, VOCs, and metals. A summary of groundwater samples submitted for laboratory analysis is presented in Table 1. On June 26, 2013, MW3 was resampled using low-flow purging techniques to collect a sample with less entrained sediment than the previous sample collected on June 14, 2013. During low-flow sampling activities, field measurements of pH, electrical conductivity, temperature, oxidation/reduction potential, dissolved oxygen, and turbidity were taken at five-minute intervals until three consistent consecutive readings of each parameter were obtained. A summary of well sampling field parameter data is presented in Tables 4a (Waterra) and 4b (low-flow).

#### 3.2.4 QUALITY ASSURANCE AND QUALITY CONTROL

A Quality Assurance/Quality Control (QA/QC) program was implemented to ensure quality data were generated. The QA/QC program included the collection of a groundwater field duplicate at MW3 to validate the field and laboratory procedures. These samples were analyzed in addition to the analysis of QC samples completed by the laboratory as required by their analytical methods.

All samples were submitted to the analytical laboratory following chain of custody procedures. The chain of custody forms document the condition and handling of the samples throughout the collection, transportation, and final analyses of the samples.

Following receipt of the analytical data from the laboratory, a CRA chemist performed data quality assessments and validations. The evaluation of the analytical data is based on the QA/QC information provided by laboratory including laboratory blank data, laboratory duplicate data, and laboratory surrogate spike and check recovery data, as well as sample holding times, and field duplicate analysis.

## 4.0 FINDINGS

### 4.1 PHYSICAL CONDITIONS

#### 4.1.1 STRATIGRAPHY

During the field activities undertaken at the Site, the following surficial materials and stratigraphy was encountered at the Site (from ground surface):

- *Asphalt*- A surficial layer of asphalt ranging between 0.03 metres to 0.18 metres thick was present at surface at MW1, MW2, and MW3.
- *Concrete* - A concrete ranging between 0.15 metres to 0.25 metres thick was present at surface at MW4, MW5, and MW6.
- *Sand and Gravel Fill and Sand Fill* - Sand and gravel fill were encountered beneath the asphalt at borehole locations MW1 through MW3 to depths ranging from 0.2 to 0.3 mBGS. Sand fill was observed beneath the concrete floor slab at borehole locations MW4 through MW6 to depths ranging from 1.2 to 2.4 mBGS.
- *Silty Sand* - Native silty sand was encountered underlying the sand and gravel fill and sand fill at all borehole locations except MW6 to depths ranging from 0.5 to 4.1 mBGS.
- *Clayey Silt Till* - Native clayey silt till was encountered underlying the silty sand at all boreholes locations to the full depths of the investigation (7.6 mBGS). It was noted that the clayey silt till became wet at depths ranging from 3.3 and 5.5 mBGS.

Detailed descriptions of the geologic deposits encountered at each borehole location are presented on the stratigraphic logs provided in Appendix A.

A representative soil sample from the zone of saturation was submitted for laboratory analyses of grain size from the clayey silt till (MW6 3.1 to 3.7 mBGS). Under Section 42 of Ontario Regulation 153/04 - Records of Site Condition, as amended, coarse soils are defined as soils that contain more than 50% by mass of particles that are 75-micrometres or larger in mean diameter. Based on the results of the grain size analyses, the percent of particles by mass larger than 75-micrometres in mean diameter was reported to be 34% at MW6. Therefore, the native clayey silt till is considered to be medium to fine-textured. Copies of the grain size results are provided in Appendix B.

#### 4.1.2 GROUNDWATER

Groundwater level measurements are presented in Table 3. On June 26, 2013, groundwater was measured within the overburden at elevations ranging from 97.17 mASD (2.64 mBGS) at MW3 to 98.52 mASD (1.36 mBGS) at MW2.

Groundwater elevation contours for June 26, 2013 are presented on Figure 3. Based on the groundwater level measurements collected from the monitoring wells, groundwater flow at the Site is generally to the west at a horizontal gradient of approximately 0.03 m/m.

#### 4.1.3 FIELD EVIDENCE OF IMPACT

During drilling activities, soil samples collected from each borehole were screened in the field for evidence of impact based on visual and olfactory observations and on undifferentiated VOC vapour readings, as measured by a PID. There was no visual or olfactory evidence of impact during the investigation. The PID headspace readings for the soil samples collected are presented on the stratigraphic and instrumentation logs provided in Appendix A. The PID readings recorded were all less than 10 parts per million (ppm).

#### 4.2 SELECTION OF REGULATORY CRITERIA

The soil and groundwater analytical results were assessed to the generic standards provided in the MOE document entitled, "*Soil, Ground Water and Sediment Standards for Use Under Part XV.1 of the Environmental Protection Act*," dated April 15, 2011. The 2011 MOE Standards are referenced in Ontario Regulation 153/04 - Records of Site Condition, as amended (hereafter referred to as the 2011 MOE standards).

The 2011 MOE standards provide generic soil and groundwater quality standards for certain chemicals, based on combinations of different site-specific conditions:

- *Property use type* - agricultural, residential/parkland/institutional, or industrial/commercial/community. The current property use at the Site is industrial.
- *Restoration of groundwater quality* - potable/non-potable. The Site and surrounding lands are serviced with potable water from City of Toronto's municipal water distribution system which obtains water from Lake Ontario. As such, a non-potable groundwater condition was applied to the Site.

- *Restoration depth* - full depth and stratified depth. For comparative purposes, results were compared to full depth standards.
- *Soil texture* - coarse and medium-fine. Soil and groundwater results were assessed to the medium to fine-textured standards, as a review of the borehole logs and grain size analysis completed for the Site indicates that less than 2/3 of the soil at the Site by volume contains greater than 50% by mass of particles that are greater than 75 micrometres in diameter.
- *Shallow soil property* - A shallow soil property means a property of which a third or more of the area consists of soil equal to or less than 2 metres in depth beneath the soil surface, excluding any non-soil surface treatment. The Site or surrounding adjacent properties are not considered to be a shallow soil property as two thirds or more of the area consists of soil greater than 2 metres in depth.
- *Within 30 metres of a water body* - The Site does not include or is not adjacent to a water body, nor is it located within 30 metres of a water body.

The generic 2011 MOE Standards are not applicable if the Site is considered to be an environmentally sensitive area. The conditions for the above are presented in Section 41 of Ontario Regulation 153/04, as amended. Based on a review of these conditions, the generic 2011 MOE Standards are considered applicable as:

- The Site is not within an area of natural significance; includes or adjacent to an area of natural significance or part of such an area, or includes land that is within 30 metres of an area of natural significance or part of such an area<sup>1</sup>.
- Subsurface soil with pH less than 5 or greater than 11 are considered environmentally sensitive in accordance with Ontario Regulation 153/04. The pH for the Site was measured to range from 7.64 at MW3 to 7.99 at MW6, therefore the Site is not considered to be sensitive.

Based on the above, the soil and groundwater analytical results were assessed to the generic full depth site condition standards for *medium to fine-textured* soils in a non-potable groundwater condition (Table 3) for industrial/commercial/community property use.

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<sup>1</sup> Ministry of Natural Resources (MNR), Natural Heritage Information Centre (NHIC) Database (2012). [www.biodiversityexplorer.mnr.gov.on.ca/nhicWEB/mainSubmit.do](http://www.biodiversityexplorer.mnr.gov.on.ca/nhicWEB/mainSubmit.do).

### 4.3 ANALYTICAL RESULTS

#### 4.3.1 SOIL

Soil analytical results are presented in Table 5 and copies of the laboratory Certificates of Analysis are provided in Appendix C. All samples submitted for laboratory analysis had concentrations below the MOE Table 3 standards. Based on these results, there is no evidence of soil impacts.

#### 4.3.2 GROUNDWATER ANALYTICAL RESULTS

Groundwater analytical results are presented in Table 6 and copies of the laboratory Certificates of Analysis are provided in Appendix C. All groundwater samples had concentrations of PHC fractions F<sub>1</sub> to F<sub>4</sub>, VOCs, and metals below the 2011 MOE Table 3 standards, with one exception. The duplicate groundwater sample collected from MW3 on June 14, 2013 contained PHC fraction F<sub>4</sub> concentrations of 8,800/4,800 µg/L, which is above the 2011 MOE Table 3 standard of 500 µg/L. It was noted that during sampling activities on June 14, 2013, the groundwater at MW3 was very silty during the well development activities. These results did not fit within the expected outcome based on the soil results, the other groundwater results, and the location of MW3. Therefore, given these expectations and the sediment contained in the initial samples, to ensure accurate results another groundwater sample was collected from MW3 on June 26, 2013. The well was developed again to ensure that all sediments entrained within the riser during monitoring well installation activities were removed. Low-flow sampling techniques were then used to resample MW3. The results of the June 26, 2013 PHC analyses at MW3 report that the concentrations of PHC fraction F<sub>4</sub> in both the sample and the field duplicate were below the laboratory reportable detection limit (less than 200 µg/L). This result is considered to be more reliable since the sample with less sediment is more representative of actual groundwater quality in the vicinity of the well. Therefore, the elevated PHC fraction F<sub>4</sub> concentrations in the samples collected at MW3 on June 14, 2013 are likely residual effects from the monitoring well installation activities. Based on these results, there is no evidence of groundwater impacts.

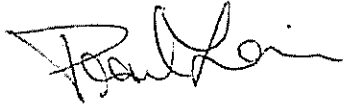


## 5.0 CONCLUSIONS

Based on the results from this investigation, the following conclusions are provided:

1. The geologic deposits underlying fill materials at the Site consist of native silty sand underlain by clayey silt till.
2. The shallow groundwater flow in the overburden at the Site is generally in a westerly direction.
3. All soil samples submitted for laboratory analysis had concentrations below the 2011 MOE Table 3 standards. Based on these results, there is no evidence of soil impacts.
4. All groundwater samples had concentrations below the 2011 MOE Table 3 standards. Based on these results, there is no evidence of groundwater impacts.
5. Based on the results of the Phase II ESA, there is no further site assessment or remediation work recommended for the Site at this time.

All of Which is Respectfully Submitted,  
CONESTOGA ROVERS & ASSOCIATES

A handwritten signature in black ink, appearing to read 'Pearl Lai', written in a cursive style.

Pearl Lai, M. Env. Sc.

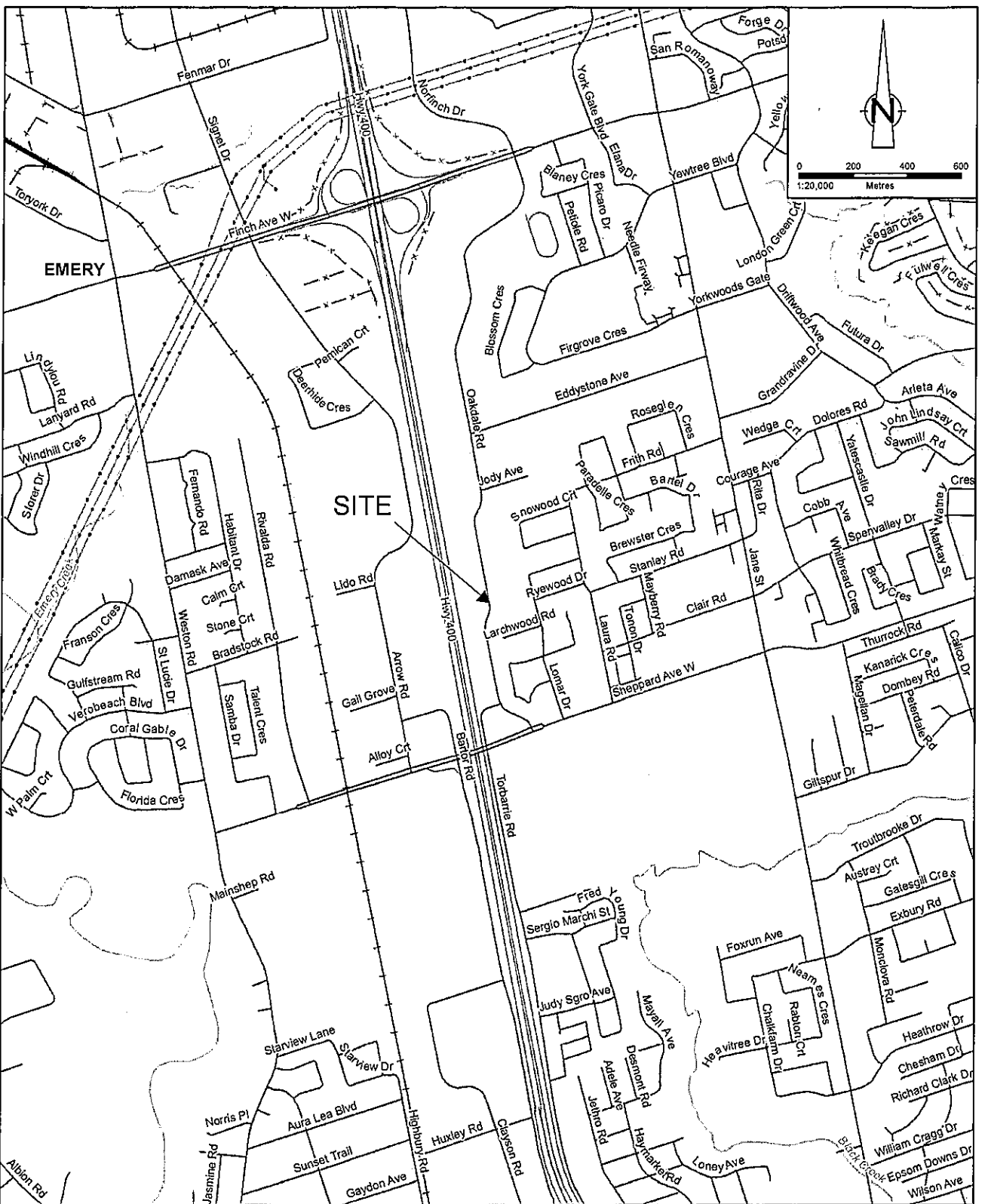
A handwritten signature in black ink, appearing to read 'Cory Ostrowka', written in a cursive style.

Cory Ostrowka, P. Eng.

A handwritten signature in black ink, appearing to read 'Thomas Guoth', written in a cursive style.

Thomas Guoth, P. Eng.

## FIGURES

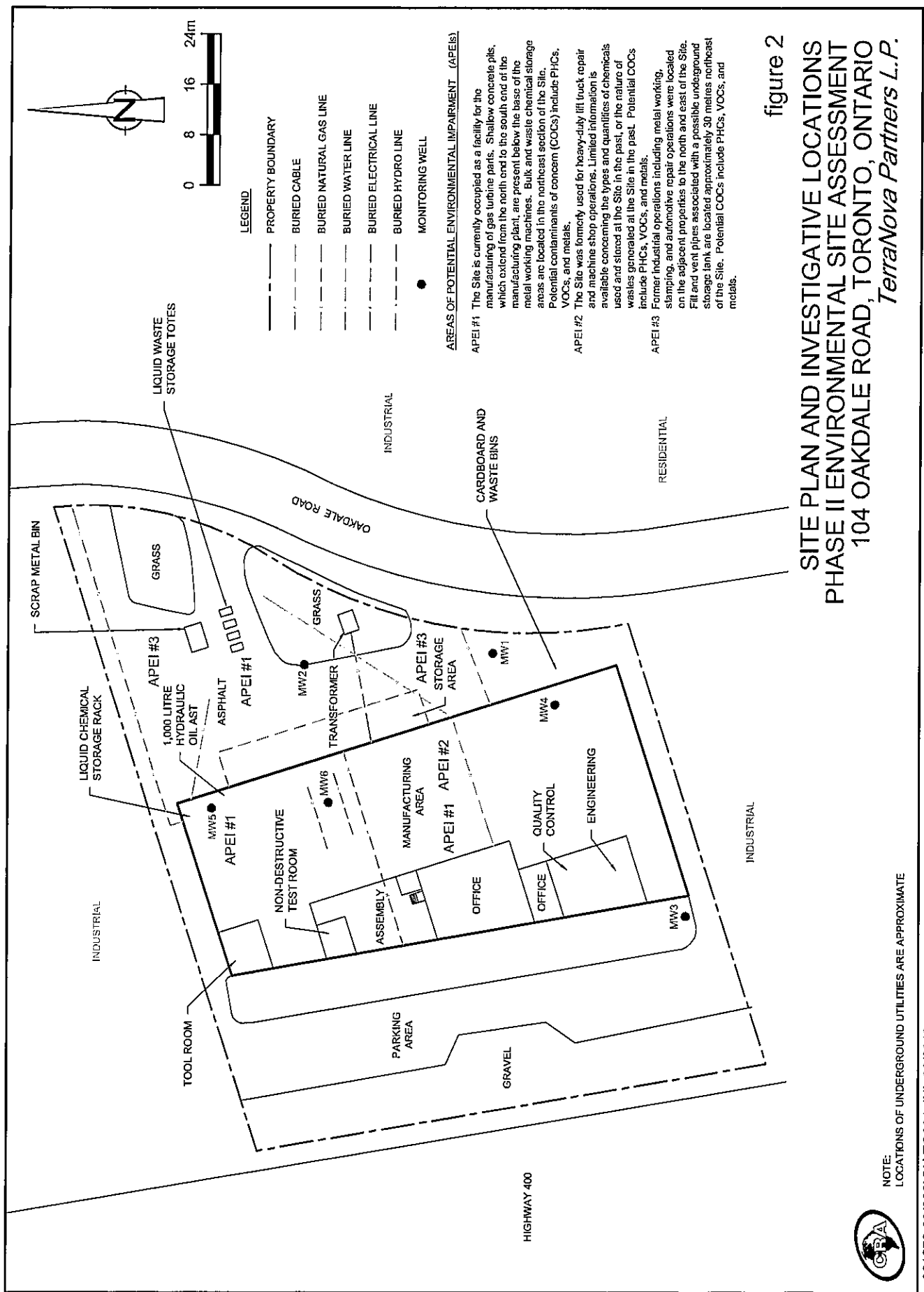


Source: MNR NRVIS, 2011. Produced by CRA under licence from Ontario Ministry of Natural Resources, © Queen's Printer 2011;  
 Coordinate System: NAD 1983 UTM Zone 17N

figure 1

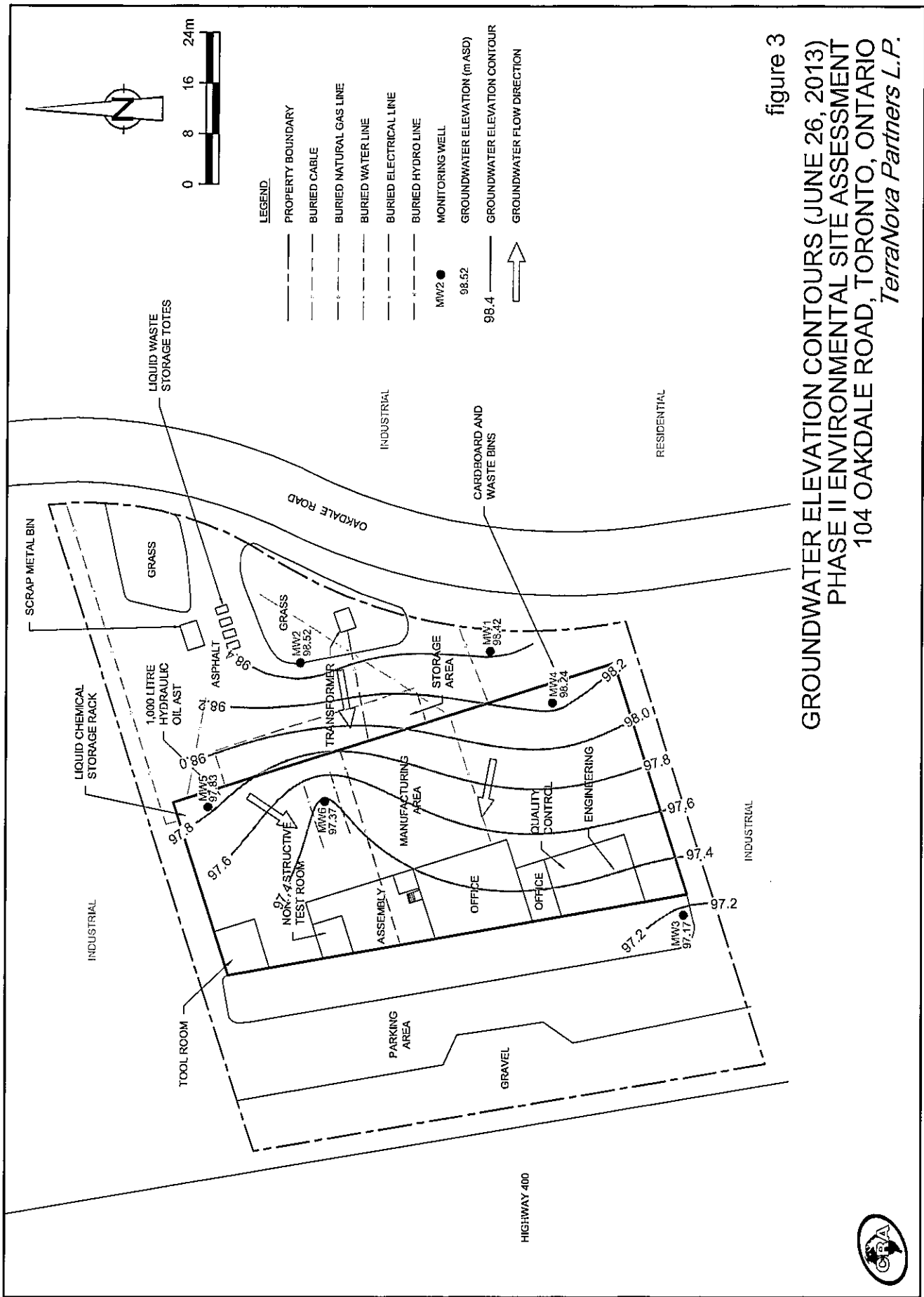
SITE LOCATION MAP  
 PHASE II ENVIRONMENTAL SITE ASSESSMENT  
 104 OAKDALE ROAD, TORONTO, ONTARIO  
 TerraNova Partners L.P.





NOTE:  
 LOCATIONS OF UNDERGROUND UTILITIES ARE APPROXIMATE





## TABLES

TABLE 1

**SAMPLE IDENTIFICATION KEY AND ANALYTICAL PARAMETERS**  
**PHASE II ENVIRONMENTAL SITE ASSESSMENT**  
**104 OAKDALE ROAD, TORONTO, ONTARIO**  
*TerraNova Partners L.P.*

Sample Location	Sample Date	Sample Identification <sup>(1)</sup>	Sample Interval (mBGS)	Sample Analysis				
				VOCs	Metals and Inorganics	PHCs (F <sub>1</sub> -F <sub>4</sub> )	TCLP VOCs	TCLP Metals and Inorganics
<b>Soil Samples</b>								
MW1	5-Jun-13		0.3-0.8	✓	✓	✓	✓	
MW2	5-Jun-13		1.5-2.3	✓	✓	✓	✓	
MW3	5-Jun-13	S-81278-060513-PL-MW3-5'-6.5'	1.5-2.0	✓	✓	✓	✓	
MW4	5-Jun-13	S-81278-060513-PL-MW4-4'-6'	1.2-1.8	✓	✓	✓	✓	
MW5	5-Jun-13	S-81278-060513-PL-MW5-2.5'-5'	0.8-1.5	✓	✓	✓	✓	
MW5 (Field Duplicate)	5-Jun-13	S-81278-060513-PL-DUP	0.8-1.5	✓	✓	✓	✓	
MW5	5-Jun-13	S-81278-060513-PL-MW5-8'-9.5'	2.4-2.9	✓	✓	✓	✓	
MW6	6-Jun-13	S-81278-060613-PL-MW6-0.5'-2'	0.2-0.6	✓	✓	✓	✓	✓
Soil Drum	6-Jun-13	S-81278-060613-PL-ICLIP	-					✓
<b>Groundwater Samples</b>								
MW1	14-Jun-13	GW-81278-061413-NB-MW1	-	✓	✓	✓	✓	
MW2	14-Jun-13	GW-81278-061413-NB-MW2	-	✓	✓	✓	✓	
MW3	14-Jun-13	GW-81278-061413-NB-MW3	-	✓	✓	✓	✓	
MW3 (Field Duplicate)	14-Jun-13	GW-81278-061413-NB-MW99	-	✓	✓	✓	✓	
MW3	26-Jun-13	GW-81278-062613-NB-MW3	-	✓	✓	✓	✓	
MW3 (Field Duplicate)	26-Jun-13	GW-81278-062613-NB-DUP1	-	✓	✓	✓	✓	
MW4	14-Jun-13	GW-81278-061413-NB-MW4	-	✓	✓	✓	✓	
MW5	14-Jun-13	GW-81278-061413-NB-MW5	-	✓	✓	✓	✓	
MW6	14-Jun-13	GW-81278-061413-NB-MW6	-	✓	✓	✓	✓	

**Notes:**

- <sup>(1)</sup> Complete Sample Identification for S-81278-060513-PL-MW2-5'-7.5': S stand for soil (W stands for groundwater); next 5 digits (81278) is the CRA project number; next 6 digits represent the date (mm/dd/yy); next characters are the initials of the field technician; next digits signify the sample location; next digits are the sample ID.
- VOCs Volatile Organic Compounds
- PHCs Petroleum Hydrocarbons
- TCLP Toxicity Leachate Characterization Procedure



TABLE 2

MONITORING WELL COMPLETION DETAILS  
 PHASE II ENVIRONMENTAL SITE ASSESSMENT  
 104 OAKDALE ROAD, TORONTO, ONTARIO  
*TerraNova Partners L.P.*

Well No.	Completion Date	Ground Elevation (mASD)	Top of Riser Elevation (mASD)	Total Depth Drilled (mBGS)	Screened Interval (mASD)				Sand Pack Interval (mBGS)				Screened Geologic Material	MOE Well Tag No.
					mBGS		mASD		mBGS		mASD			
					Top	Bottom	Top	Bottom	Top	Bottom	Top	Bottom		
MW1	05-Jun-13	99.91	99.78	6.10	2.44	5.49	97.47	94.42	2.13	5.49	97.78	94.42	Clayey silt till	A148728
MW2	05-Jun-13	99.88	99.77	6.10	3.05	6.10	96.83	93.78	2.74	6.10	97.14	93.78	Clayey silt till	A148800
MW3	05-Jun-13	99.81	99.70	6.10	3.05	6.10	96.76	93.71	2.74	6.10	97.07	93.71	Silty sand/clayey silt till	A148691
MW4	05-Jun-13	100.00	99.90	7.62	4.57	7.62	95.43	92.38	4.27	7.62	95.73	92.38	Clayey silt till	A148727
MW5	05-Jun-13	99.99	99.91	6.10	3.05	6.10	96.94	93.89	2.74	6.10	97.25	93.89	Clayey silt till	A148726
MW6	06-Jun-13	99.99	99.91	4.88	3.35	4.88	96.64	95.11	3.05	4.88	96.94	95.11	Clayey silt till	A148716

Notes:

- mASD metres Above Site Datum. Reference point taken to be the top of the concrete floor slab on the north side of the southeast bay door.
- mBGS metres Below Ground Surface

**TABLE 3**  
**GROUNDWATER ELEVATIONS**  
**PHASE II ENVIRONMENTAL SITE ASSESSMENT**  
**104 OAKDALE ROAD, TORONTO, ONTARIO**  
*TerraNova Partners LP*

Well No.	Ground Elevation (mASD)	Reference Elevation <sup>(1)</sup> (mASD)	Groundwater Elevation		
			June 26, 2013		
			(mBTOR)	(mASD)	(mBGS)
MW1	99.91	99.78	1.36	98.42	1.49
MW2	99.88	99.77	1.25	98.52	1.36
MW3	99.81	99.70	2.53	97.17	2.64
MW4	100.00	99.90	1.66	98.24	1.76
MW5	99.99	99.91	2.08	97.83	2.17
MW6	99.99	99.91	2.54	97.37	2.62

## Notes:

- <sup>(1)</sup> Reference elevation taken from top of riser pipe
- mASD metres Above Site Datum. Reference point taken to be the top of the concrete floor slab on the north side of the southeast bay door.
- mBTOR metres Below Top of Riser
- mBGS metres Below Ground Surface

TABLE 4a

**SUMMARY OF MONITORING WELL PURGING ACTIVITIES (WATERRA)**  
**PHASE II ENVIRONMENTAL SITE ASSESSMENT**  
**104 OAKDALE ROAD, TORONTO, ONTARIO**  
*TerraNova Partners L.P.*

Well No.	Date	Well Volume (Litres)	Volume Removed (Litres)	pH	Conductivity ( $\mu\text{S/cm}$ )	Temperature ( $^{\circ}\text{C}$ )	Colour	Odour	Comments
MW1	13-Jun-13	7.0	7.0	6.72	1,632	14.9	clear	n.d.o.	-
			14.0	6.96	1,933	14.2	clear	n.d.o.	-
			21.0	7.23	1,591	14.2	clear	n.d.o.	dry after 3 well volumes
MW2	13-Jun-13	10.0	10.0	7.01	2,501	15.8	grey	n.d.o.	-
			20.0	6.91	2,535	14.1	light brown	n.d.o.	slightly silty
			30.0	7.25	2,557	15.3	light brown	n.d.o.	dry after 3 well volumes
MW3	13-Jun-13	7.0	7.0	7.72	2,320	16.0	brown	n.d.o.	silty
			14.0	7.25	2,395	14.7	brown	n.d.o.	silty
			21.0	7.26	2,396	14.3	brown	n.d.o.	silty, dry after 3 well volumes
MW4	13-Jun-13	10.0	10.0	7.30	1,635	17.6	clear	n.d.o.	-
			20.0	7.24	1,547	17.1	clear	n.d.o.	-
			30.0	7.45	1,550	18.3	clear	n.d.o.	dry after 3 well volumes
MW5	13-Jun-13	5.0	5.0	6.89	>3999	17.2	light brown	n.d.o.	-
			10.0	6.90	>3999	16.2	light brown	n.d.o.	-
			15.0	7.09	>3999	17.8	light brown	n.d.o.	dry after 3 well volumes
MW6	13-Jun-13	1.5	1.5	7.16	2,857	20.9	light brown	n.d.o.	slightly silty
			3.0	7.14	2,871	21.1	light brown	n.d.o.	slightly silty, dry after 2 well volumes
			4.5	7.29	3,051	20.1	light brown	n.d.o.	slightly silty, dry after 3 well volumes

## Notes:

$\mu\text{S/cm}$       microSiemens per centimeter  
n.d.o.        No detectible odour

TABLE 4b

SUMMARY OF MONITORING WELL PURGING ACTIVITIES (LOW-FLOW)  
 PHASE II ENVIRONMENTAL SITE ASSESSMENT  
 104 OAKDALE ROAD, TORONTO, ONTARIO  
*TerraNova Partners L.P.*

Well No.	Date	Time (min)	Pumping Rate (mL/min)	pH	Conductivity (mS/cm)	Temperature (° C)	ORP (mV)	DO (mg/L)	Turbidity (NTU)
MW3	26-Jun-13	5	150	6.78	2.52	21.96	-5	7.12	0.0
		10	150	6.81	2.58	20.99	-8	6.67	0.0
		15	150	6.81	2.63	19.59	-11	5.88	0.0
		20	150	6.82	2.63	19.75	-13	4.92	0.0
		25	150	6.83	2.64	19.40	-12	4.10	0.0

## Notes:

min	minute	mV	milliVolts
mL/min	millilitres per minute	DO	Dissolved Oxygen
mS/cm	milliSiemens per centimetre	mg/L	milligrams per litre
ORP	Oxidation/Reduction Potential	NTU	Nephelometric Turbidity Unit

TABLE 5  
SUMMARY OF SOIL ANALYTICAL RESULTS  
PHASE II ENVIRONMENTAL SITE ASSESSMENT  
180 OAKDALE ROAD, TORONTO, ONTARIO  
TerraNova Perriers LP

Parameter	MOE Table 3 Standard <sup>10</sup>	MW1		MW2		MW3		MW4		MW5		MW6			
		Sample ID: S-81278-066513-PL-MW1-1-27	Sample Date: 05/04/02	Sample ID: S-81278-066513-PL-MW2-5-75	Sample Date: 15/2/20	Sample ID: S-81278-066513-PL-MW3-5-657	Sample Date: 15/2/18	Sample ID: S-81278-066513-PL-MW4-4-6	Sample Date: 1/22/18	Sample ID: S-81278-066513-PL-DUP	Sample Date: 07/6/15	Sample ID: S-81278-066513-PL-MW5-8-951	Sample Date: 2/4/2/90	Sample ID: S-81278-066513-PL-MW6-05-27	Sample Date: 6/6/2013
Volatiles															
1,1,1-Trichloroethane	0.11	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,1,1-Trichloroethane	12	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,1,2,2-Tetrachloroethane	0.04	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,1,2,2-Tetrachloroethane	0.11	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,1-Dichloroethane	21	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,1-Dichloroethane	0.48	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,2-Dichloroethane	0.05	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,2-Dichloroethane	0.45	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,2-Dichloroethane	0.05	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,2-Dichloroethane	12	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,4-Dichlorobenzene	0.04	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
1,4-Dichlorobenzene	58	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
1,4-Dichlorobenzene	318	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
1,4-Dichlorobenzene	28	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
1,4-Dichlorobenzene	0.4	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	18	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	17	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	0.05	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	1.5	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	2.7	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	0.18	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	37	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	0.21	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	3	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	35	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	19	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	66	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	32	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	4	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	31	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	71	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	93	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	0.4	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	5.4	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	0.35	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
2-Butanone (Methyl ethyl ketone) (MEK)	30	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)

Notes

All results and standards are in ug/g, unless otherwise indicated.

10 Ontario Ministry of the Environment (MOE), "Soil, Ground Water and Sediment Standards for Use Under Part XV.1 of the Environmental Protection Act", April 15, 2011.

Table 5. Full Depth Corrective Site Condition Standards in a Non-Mobile Ground Water Condition, Industrial/Commercial/Community Property Use, Medium to Fine Textured Soils.

ND(X) Not detected above laboratory detection limit indicated in brackets.

Concentration above 2011 MOE Standards



TABLE 6  
SUMMARY OF GROUNDWATER ANALYTICAL RESULTS  
PHASE II ENVIRONMENTAL SITE ASSESSMENT  
184 OAKDALE ROAD, TORONTO, ONTARIO  
TerraNova Partners Ltd.

Parameter	Sample Location: Sample ID: Sample Date:						MW1 GW431728-064113-NR-MW1 6/14/2013	MW2 GW431728-064113-NR-MW2 6/14/2013	MW3 GW431728-062013-NR-MW3 6/14/2013 Duplicate	MW4 GW431728-062013-NR-MW4 6/14/2013 Duplicate	MW5 GW431728-061113-NR-MW5 6/14/2013	MW6 GW431728-061113-NR-MW6 6/14/2013
	MOE Table 3 Standard <sup>a</sup>	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)						
1,1,1-Trichloroethane	28	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
1,1,2-Trichloroethane	400	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
1,1,2,2-Tetrachloroethane	5	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
1,1,2-Trichloroethane	3100	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
1,1-Dichloroethane	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
1,2-Dichloroethane (Ethylene dibromide)	0.53	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
1,2-Dichloroethane	960	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
1,2-Dichloroethane	12	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
1,2-Dichloroethane	118	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
1,2-Dichloroethane	960	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
1,2-Dichloroethane	47	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
2,4-Dinitrophenol (Methyl ethyl ketone) (MEK)	150000	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	
4-Methyl-2-pentanone (Methyl isobutyl ketone) (MIBK)	50000	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	
Benzene	13000	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	ND(10)	
Bromochloroethane	400	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Bromochloroethane	2000	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Bromoforn	70	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Bromomethane (Methyl bromide)	54	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	
Carbon tetrachloride	8.4	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Chlorobenzene	6.00	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Chloroform (Trichloroethane)	21	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
cis-1,2-Dichloroethane	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
cis-1,3-Dichloropropene	-	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
cis-1,3-Dichloropropene/Trans-1,2-Dichloropropene (total)	45	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Dibromochloroethane	6200	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Dibromodifluoroethane (CFC-12)	400	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Ethylbenzene	200	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	
Heptachlorocyclopentadiene	50	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Methyl tert butyl ether (MTBE)	1100	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Methylene chloride	500	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	
o-Xylene	9100	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Styrene	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Tetrachloroethene	10000	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Toluene	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
trans-1,2-Dichloroethene	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
trans-1,2-Dichloropropene	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Trichloroethene	250	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Trichlorofluoromethane (CFC-11)	17	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	ND(0.20)	
Vinyl chloride	17	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	
Xylenes (total)	450	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	

Notes:  
 All results and standards are in µg/L, unless otherwise indicated.  
 MOE Table 3: Full Depth, Generic Site Remediation Standards for Use Under Part XXV.1 of the Environmental Protection Act, April 15, 2011.  
 ND(1) Not detected, above laboratory detection limit indicated in brackets.  
 Concentration above MOE Standard

**TABLE 6**  
**SUMMARY OF GROUNDWATER ANALYTICAL RESULTS**  
**PHASE II ENVIRONMENTAL SITE ASSESSMENT**  
**104 OAKDALE ROAD, TORONTO, ONTARIO**  
*TerraNova Services LP.*

Parameter	Sample ID: Sample Date:	MOE Table 3 Standards <sup>a</sup>	MW																		
			MW1 GW-81278-06113-NB-MW1 6/14/2013	MW2 GW-81278-06113-NB-MW2 6/14/2013	MW3 GW-81278-06113-NB-MW3 6/14/2013	Duplicate GW-81278-06113-NB-MW3 6/14/2013	MW4 GW-81278-06113-NB-MW4 6/14/2013	MW5 GW-81278-06113-NB-MW5 6/14/2013	MW6 GW-81278-06113-NB-MW6 6/14/2013	MW7 GW-81278-06113-NB-MW7 6/14/2013	MW8 GW-81278-06113-NB-MW8 6/14/2013	MW9 GW-81278-06113-NB-MW9 6/14/2013									
<b>Metals</b>																					
Arsenic (dissolved)	2000	0.05	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Barium (dissolved)	100	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)
Beryllium (dissolved)	2000	0.01	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Boron (dissolved)	4500	30	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Cadmium (dissolved)	37	5	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)	ND(0.10)
Chromium (dissolved)	10	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)
Chromium VI (hexavalent)	10	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Cobalt (dissolved)	87	5.0	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)	ND(1.0)
Copper (dissolved)	25	8.6	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)
Lead (dissolved)	6200	2.8	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)
Nickel (dissolved)	400	0.2	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Nickel (total)	400	0.2	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Silver (dissolved)	15	0.05	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)
Selenium (dissolved)	200000	0.05	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)	ND(0.1)
Sodium (dissolved)	500	10000	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Thallium (dissolved)	50	0.05	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)	ND(0.050)
Uranium (dissolved)	475	9.7	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Vanadium (dissolved)	250	1.0	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)	ND(0.50)
Zinc (dissolved)	1100	1.0	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)	ND(5.0)
<b>Petroleum Hydrocarbons</b>																					
Petroleum hydrocarbons F1 (C6-C10)	75	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)
Petroleum hydrocarbons F1 (C6-C10) - Low BTEX	750	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)	ND(25)
Petroleum hydrocarbons F2 (C10-C16)	50	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)	ND(100)
Petroleum hydrocarbons F3 (C16-C24)	500	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)
Petroleum hydrocarbons F4 (C24-C30)	500	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)
Chlorinated heavy hydrocarbons (CHC)	500	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)	ND(200)

**Notes:**  
 All results and standards are in ug/L, unless otherwise indicated.  
 (1) Ontario Ministry of the Environment (MOE), "Soil, Ground Water and Sediment Standards for Use Under Part XV.1 of the Environmental Protection Act", April 15, 2011.  
 Table 3, Full Depth Generic Site Condition Standards in a Non-Public Ground Water Condition, All Type of Property Use, Medium to Fine Textured Soils.  
 (2) N/A detected, above laboratory detection limit indicated in bold text.  
 (3) Concentration above 2011 MOE Standards



**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.**

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

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

Proceedings commenced at TORONTO

**THIRD REPORT OF  
RICHTER ADVISORY GROUP INC.  
IN ITS CAPACITY AS  
MONITOR OF  
KK PRECISION INC.**

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