

FORBEARANCE AGREEMENT

This Forbearance Agreement (this "**Agreement**") is entered into as of November 17, 2008 amongst Komunik Corporation (the "**Borrower**") and HSBC Capital (Canada) Inc. ("**Capital**").

RECITALS

WHEREAS Capital and the Borrower entered into a Credit Agreement dated as of June 12, 2007 ("**Credit Agreement**") with respect to certain credit facilities.

WHEREAS Capital expressed its dissatisfaction in relation to the Borrower's account and the operating losses being incurred and failure of the Borrower to comply with several of its financial covenants under the Credit Agreement was communicated.

WHEREAS in fact the Borrower has incurred losses of approximately \$6.2 million as at April 30, 2008 and \$2.6 million for the five (5) month period ended September 30, 2008.

WHEREAS the Borrower is insolvent and cannot meet its obligations as they generally become due.

WHEREAS such defaults and operating losses of the Borrower ("**Existing Defaults**") are continuing and have not been cured.

WHEREAS Capital has advised the Borrower that it wishes to discontinue financing the Borrower and the Borrower has confirmed its intentions to seek re-financing.

WHEREAS, Capital has now engaged the services of PricewaterhouseCoopers LLP ("**PWC**" or the "**Consultant**") to review elements of the Borrower's business without any intervention thereto or partaking in any managerial decisions of the Borrower.

WHEREAS the Borrower has now engaged the services of RSM Richter Inc. ("**Richter**") to advise it in the restructuring.

WHEREAS Capital has issued a notice pursuant to Section 244 of the *Bankruptcy and Insolvency Act* and the Borrower has waived any delay in relation to such notice.

WHEREAS, with a view to permit the Borrower to evaluate its alternatives and seek the granting of an Initial Order (as further detailed hereinafter), Capital is willing to forbear from enforcing its rights that arise because of the Existing Defaults for a limited period of time, provided that the Borrower complies with the terms of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:



SECTION 1
INTERPRETATION

- 1.1 The introductory paragraph and recitals hereof and all schedules attached hereto form an integral part of this Agreement.
- 1.2 All capitalized terms used herein (including in the introductory paragraph and recitals set forth above) and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.
- 1.3 The following term used in this Agreement shall have the meanings set forth below:

“Weekly Cash Flow Projections” means the Weekly Financial Projections for a rolling thirteen (13) week period, as prepared by the Borrower which will be reviewed by Capital. Said Weekly Cash Flow Projections shall include the Margin Position. The first Weekly Financial Projection shall be remitted to Capital by no later than November 20, 2008.

“Monthly Cash Flow Projections” means the Monthly Financial Projections for the fiscal year 2009 as prepared by the Borrower which will be remitted to Capital on a confidential basis. Said Monthly Financial Projections shall include, without limitation, a balance sheet, the income statement, the cash flow and the Margin Position for the period. The first Monthly Cash Flow Projection and any update thereof will be remitted on a confidential basis to Capital;

“Forbearance Default” means (a) the failure of the Borrower to comply with any term, condition or covenant set forth in this Agreement, or (b) any representation made by the Borrower under or in connection with this Agreement shall prove to be materially false or misleading as of the date when made;

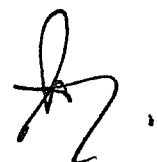
“Obligations” means all present and future obligations and liabilities at any time owing by the Borrower to Capital under or pursuant to the Credit Agreement, the Security Documents, this Agreement or any other document referred to herein or therein;

“Monitoring” shall mean the monitoring done by PWC as detailed in a letter dated September 22, 2008, duly signed by the Borrower and PWC;

“Termination Date” means the earlier to occur of (a) 5:00 p.m. Montreal time on December 19, 2008 or (b) the date upon which a Forbearance Default occurs.

SECTION 2
CONFIRMATION OF OBLIGATIONS

- 2.1 The Borrower acknowledges and agrees that as of the date hereof:
- (a) the Borrower is without right of compensation, offset, defence, or counterclaim with respect to any of the Obligations;



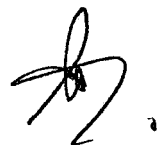
- (b) it is in default by virtue of the Existing Defaults;
- (c) the amount of outstanding loans and advances as at November 17, 2008 due to Capital are as follows:

i	Principal	-	\$4,000,000
ii	Deferred Interest	-	\$ 276,978.19
iii	Current Interest		<u>\$ 19,828.19</u>
	TOTAL:		\$4,296,806.38

The aforesaid sums are subject to adjustment for items in circulation, fees, costs and accessories.

SECTION 3
AGREEMENT TO FORBEAR

- 3.1 Provided that no Forbearance Default occurs, Capital hereby agrees to refrain through the Termination Date from exercising any of its rights and remedies under the Credit Agreement and the Security Documents.
- 3.2 Nothing in this Agreement shall be construed as a waiver of or acquiescence to any Existing Default. Except as expressly provided herein, the execution and delivery of this Agreement shall not: (a) constitute an amendment, extension, modification, or waiver of any aspect of the Credit Agreement or the Security Documents; (b) extend the due date of any of the Obligations; (c) give rise to any obligation on the part of Capital to extend, modify or waive any term or condition of the Credit Agreement or any of the Security Documents; (d) give rise to any defences or counterclaims to the right of Capital to compel payment of the Obligations or to otherwise enforce its rights and remedies under the Credit Agreement and the Security Documents hereof; or (e) establish a custom or course of dealing between or between the Borrower and Capital. Except as expressly limited herein, Capital hereby expressly reserves all of its rights and remedies under the Credit Agreement and the Security Documents and under applicable law with respect to each Existing Default. From and after the Termination Date, Capital shall be entitled to enforce the Credit Agreement and the Security Documents according to the original terms thereof.
- 3.3 Subject to obtaining a confidentiality undertaking satisfactory to Capital, Capital is authorized to disclose any information it has regarding the Borrower to a potential lender or assignee of the Credit Agreement and the Borrower shall fully collaborate with Capital and any potential lender or assignee and it shall assume all costs for same.
- 3.4 Capital is authorized to seek and obtain additional third party appraisal(s) for the Borrower's assets and the Borrower shall fully collaborate to the execution of said appraisal(s) and it shall assume all costs for same.



SECTION 4
REPRESENTATIONS AND WARRANTIES

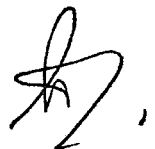
In consideration of the limited agreement of Capital to forbear from the exercise of its rights and remedies as set forth above, the Borrower hereby represents and warrants to Capital, as at the date hereof as follows:

- 4.1 The Borrower has made full disclosure to Capital of all existing defaults and all other disclosures as is required under the Credit Agreement, the Security Documents and the Original Agreement;
- 4.2 The execution, delivery and performance of this Agreement by the Borrower is within such person's power and have been duly authorized by all necessary action.
- 4.3 This Agreement constitutes a valid and legally binding agreement enforceable against the Borrower, in accordance with its terms subject to the effects of bankruptcy, insolvency and other laws affecting creditors' rights generally.
- 4.4 The Credit Agreement, the Security Documents and this Agreement constitute valid and legally binding obligations of the Borrower enforceable in accordance with the terms thereof subject to the effects of bankruptcy, insolvency and other laws affecting creditors' rights generally.

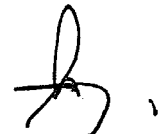
SECTION 5
COVENANTS OF THE BORROWER

In order to induce Capital to forbear from the exercise of its rights and remedies as set forth above, the Borrower hereby covenants and agrees with Capital as follows:

- 5.1 Except as for Existing Defaults, the Borrower shall continue to perform and observe all terms and conditions contained in the Credit Agreement, the Security Documents and this Agreement and particularly but without restriction to the generality of that which precedes there shall be no default of the margin requirements contained in the Credit Agreement.
- 5.2 The Borrower shall deliver to Capital in a timely fashion each of the following items in form and substance acceptable to Capital:
 - (a) upon Capital's request, forecasts, reports and financial information, as may be specified by Capital from time to time;
 - (b) by no later than each Wednesday the updated Weekly Cash Flow Projections for a thirteen (13) week period, beginning on the previous Monday;
 - (c) by no later than ten (10) days after the expiry of the month, an updated Monthly Cash Flow Projections, which may be subject to revision based on the Borrower's final month-end financial statements;



- 5.3 The Borrower and Richter shall fully collaborate with PWC for the Monitoring and PWC shall have unrestricted access to the information required, the personnel of the Borrower and of Richter and to the reports prepared or being prepared by Richter. Likely, The Borrower and Richter will co-operate with PWC and allow PWC to continue ongoing monitoring of borrowing base and the Borrower's financial progress measured against the first Weekly Cash Flow Projection with periodic reports to Capital as requested by Capital.
- 5.4 On each Thursday (based on the close of business of the preceding Friday) an aged list of the Borrower's accounts receivable (including the name and address of each debtor and the amount owing by such debtor) and estimate of the inventory and the margining base calculation.
- 5.5 The Borrower shall provide Capital and PWC with the monthly internal financial statement by no later than the 25th day of the following month.
- 5.6 The Borrower shall reimburse Capital for all costs and expenses incurred by Capital in connection with the negotiation, preparation and enforcement of this Agreement, in connection with the management of the Borrower's account (including, without limitation, Capital's fees and expenses, Capital's attorneys' and Consultant's reasonable fees and expenses), as well as the enforcement and protection of its rights pursuant to the Credit Agreement, the Security Documents, this Agreement or otherwise and Capital is hereby authorized to debit the Borrower's account to pay all said fees and expenses.
- 5.7 The Borrower shall pay to Capital a non-refundable forbearance fee equal to \$50,000 (such fee, the "**Forbearance Fee**"). The Forbearance Fee shall be deemed to be fully earned on the date hereof and is due and payable after the repayment of all obligations owed to HSBC Bank (Canada).
- 5.8 The Borrower undertakes to operate its business in a manner that will allow it to cure the Defaults (including any Existing Default). However, such tolerance by Capital is subject to the condition that the charges created by the Security Documents do legally and factually charge all the assets described therein in order to guarantee the repayment of all Obligations of the Borrower to Capital.
- 5.9 The Borrower shall undertake a sale process, satisfactory to Capital, whereby all assets shall be offered for sale. Said process shall be supervised by Richter, as Court-appointed Monitor. A Confidential Information Memorandum shall be completed and sent to the potential purchaser by no later than December 1st, 2008, in accordance with a process and documentation to be agreed upon by Capital.
- 5.10 In addition, Richter, as Court-appointed Monitor pursuant to the Initial Order, shall monitor and review the receipts and disbursements of the Borrower, on a daily basis and shall report to Capital and PWC.
- 5.11 The Borrower shall seek the appointment of a Chief Restructuring officer ("**CRO**"), satisfactory to Capital. Said appointment shall be completed by no later than December 8, 2008.



- 5.12 Subject to the Administration Charge and the Director's Charge to be granted pursuant to an Initial Order to be rendered (Schedule "A") there be any filing by the Borrower of any proceeding under the Companies' Creditors Arrangement Act, the Bankruptcy and Insolvency Act or any similar legislation in any jurisdiction, then Capital shall be an unaffected and an excluded creditor for all intent and purposes.
- 5.13 The Borrower reaffirms that Capital will be at liberty to discuss this account and exchange information regarding the Borrower with HSBC Bank Canada.

SECTION 6 **TERMINATION**

All Obligations will be fully due and payable on the Termination Date, without Capital being required to send any notice or demand to the Borrower, unless a Forbearance Default has occurred, in which case, all Obligations will be due and payable upon the occurrence of a Forbearance Default.

SECTION 7 **GENERAL RELEASE**

In consideration of, among other things, this Agreement provided for herein, and any other financial accommodations which Capital elects to extend to the Borrower, the Borrower forever waives, releases and discharges any and all claims (including, without limitation, cross-claims, counterclaims, rights of compensation, setoff and recoupment), causes of action, demands, suits, costs, expenses and damages that it now has or hereafter may have, of whatsoever nature and kind, whether known or unknown, whether now existing or hereafter arising, whether arising at law or in equity that arise under or relate to any of the Credit Agreement, the Security Documents or this Agreement or any person's rights or obligations thereunder, against Capital, any of Capital's subsidiaries and affiliates, and its and their respective successors, assigns, officers, directors, employees, agents, mandataries, lawyers and other representatives, based in whole or in part on facts, whether or not known, existing on or prior to the date of this Agreement. The provisions of this section shall survive the termination of the Credit Agreement and payment in full of the Obligations.

SECTION 8 **COURT APPROVALS**

It is understood and agreed that this Agreement is strictly subject to and conditional on the occurrence of all of the following, by no later than November 19, 2008:

- (a) the issuance of an Initial Order by the Superior Court of Quebec, Commercial Division, District of Montreal, pursuant to the *Companies Creditors' Arrangement Act*, in the form of the draft order attached hereto as Schedule "A";
- (b) the approval of this Agreement by the Superior Court of Quebec, Commercial Division, District of Montreal;



- (c) Capital expressly reserves its rights to seek any Court Order it may deem required or appropriate during the Initial Order.

In the event that any one or all of the foregoing do not occur then Capital at its option, may cancel this Agreement upon simple written notice to such effect to be given to the Borrowers.

SECTION 9
MISCELLANEOUS

- 9.1 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.
- 9.2 Governing Law and Language. This Agreement shall be governed by, and shall be construed and enforced in accordance with, the laws of the Province of Quebec and the federal laws of Canada applicable therein. The parties hereto have expressly required that this Agreement be drafted in the English language. *Les parties aux présentes ont expressément exigé que la présente convention soit rédigée en anglais.*
- 9.3 Counterparts. This Agreement may be executed in any number of counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.
- 9.4 Continued Effectiveness. Except as expressly set forth in this Agreement, the terms of the Credit Agreement, the Security Documents and the Original Agreement remain unchanged, and all such documents shall remain in full force and effect and are hereby confirmed and ratified.
- 9.5 No Novation. This Agreement shall not be deemed or construed to be a satisfaction, reinstatement, novation or release of the Credit Agreement or of any of the Security Documents or, except as expressly provided herein, a waiver by Capital of any of its rights and remedies under the Credit Agreement or the Security Documents, or at law or in equity.
- 9.6 Article 1594 C.C.Q. The Borrower shall be “*en demeure*” by the mere lapse of time for performing its obligations hereunder, as contemplated in Article 1594 of the *Civil Code of Quebec*.
- 9.7 Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions, whether oral or written, of the parties hereto pertaining to the subject matter hereof.
- 9.8 Amendments. This Agreement may not be modified or amended except by written agreement of the parties hereto.
- 9.9 Execution. In the event that a copy of this Agreement duly signed by the Borrower is not delivered to Capital, prior to 3:00 p.m. Montreal time on November 17, 2008, this

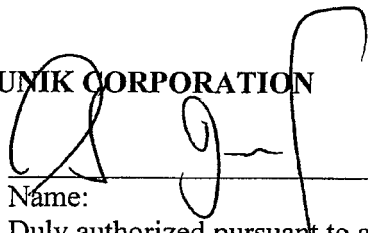


Agreement shall be deemed to be null and void, and Capital shall not be bound by this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first set forth above.

KOMUNIK CORPORATION

per:



Name:
Duly authorized pursuant to a
resolution of the Board of Directors
dated ■ *November 17, 2008*

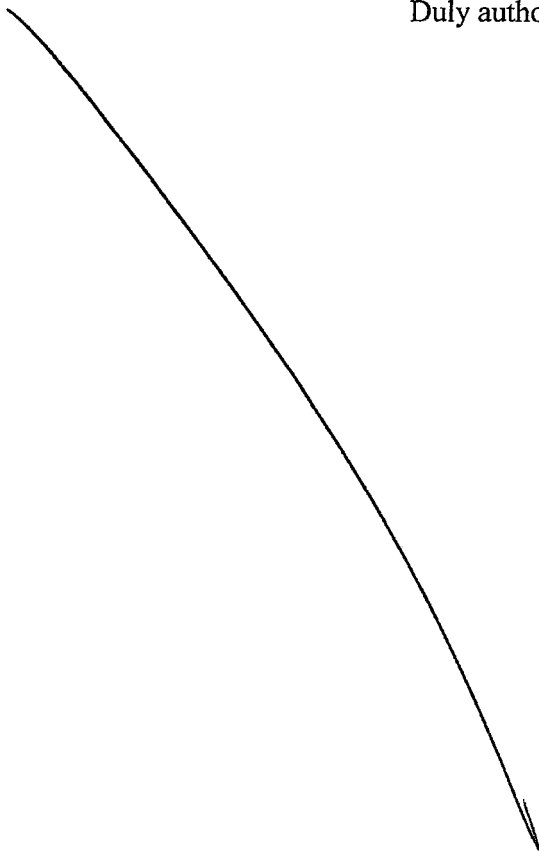
HSBC CAPITAL (CANADA) INC.

per:

Name:
Duly authorized

per:

Name:
Duly authorized



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IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the date first set forth above.

KOMUNIK CORPORATION

per:

Name:

Duly authorized pursuant to a resolution of the Board of Directors dated ■ November 17, 2008

HSBC CAPITAL (CANADA) INC.

per:

Name:

Duly authorized

per:

Name:

Duly authorized