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April 19, 2016

**PRIVATE AND CONFIDENTIAL**

To those parties interested in purchasing or otherwise acquiring the specified assets of Drytech International Inc. and/or 6892639 Canada Inc.

**Re: Terms and Conditions of Sale Process**

**1. Background**

By Order dated April 11, 2016, Deloitte Restructuring Inc. (“**Deloitte**”) was appointed by the Ontario Superior Court of Justice (the “**Court**”), as receiver (the “**Receiver**”) of all of the assets, undertakings and properties of Drytech International Inc. (“**Drytech**” or the “**Company**”) and 6892639 Canada Inc. (collectively with Drytech, the “**Debtors**”). A copy of the Receivership Order can be found on Deloitte’s website at [www.insolvencies.deloitte.ca/en-ca/drytech](http://www.insolvencies.deloitte.ca/en-ca/drytech).

Drytech is an Ottawa-based company, which was amalgamated pursuant to the laws of Canada on June 30, 2011, offering restoration dry-cleaning services through a Certified Restoration Drycleaning Network, LLC (“**CRDN**”) franchise operating out of 2616 Sheffield Road and 1580 Liverpool Court in Ottawa, Ontario.

**2. Submission of Offers**

The Receiver is inviting the offerors (“**Offerors**”) to submit binding offers (the “**Binding Offers**”) to purchase the assets owned or used by Drytech in its CRDN franchised business, as further described in Schedule A hereto (the “**Assets**”), pursuant to the process outlined below (the “**Submission Process**”):

- 1) In order to qualify to participate in this process, to have access to the online data room, to receive the confidential information memorandum relating to the Assets, and to submit an offer for the Assets, each Offeror is required to sign and deliver to the Receiver a confidentiality and non-disclosure agreement (“**NDA**”). A copy of the NDA is attached as Schedule B hereto.
- 2) Arrangements to review the operation, assets and physical files can be made with the Receiver by appointment only and are subject to the Receiver’s availability. The Receiver and the Debtors make no representations or warranties, expressed or implied, with respect to the completeness or accuracy of any information or materials provided.
- 3) All Binding Offers must be unconditional and must be submitted in the form of the Asset Purchase and Sale Agreement which shall be provided by the Receiver to each Offeror that has signed and returned a NDA. For greater certainty, no Binding Offer can be conditional upon (i) the outcome of unperformed due diligence or (ii) obtaining financing. Notwithstanding the foregoing, if any real property lease and/or franchise agreement is included in the Assets and the assignment of such agreement requires the consent of the applicable landlord/franchisor, the

Binding Offer may be conditional on the Vendor obtaining the requisite consents or approvals to permit the real property lease and/or franchise agreement to be assigned on closing.

- 4) Binding Offers must be submitted to the Receiver by no later than **4:00 p.m. Eastern Standard Time on May 3, 2016** (the “**Offer Deadline**”) in a **sealed envelope delivered by registered mail or by messenger** addressed to Deloitte Restructuring Inc., Attn: Bruce Beggs, 1600-100 Queen Street, Ottawa, ON K1P 5T8. Binding Offers received after the Offer Deadline will not be considered by the Receiver.
- 5) All Binding Offers must indicate which Assets the Offeror is offering to purchase, a purchase price for such Assets in Canadian, and an allocation of the purchase price amongst the Assets. All Binding Offers must provide that the purchase price for the Assets will be paid in full at the time of closing.
- 6) Subject to the limited warranties with respect to authority, the Receiver makes no representations and warranties of any kind whatsoever, including without limitation with respect to the title, condition or fitness for purpose of the Assets. The Assets shall be purchased on a strictly “as is, where is” basis, at the sole risk and peril of the Offeror. The Asset Purchase and Sale Agreement shall not include any surviving representations, warranties or indemnities of any kind, nature or description by the Debtors or the Receiver or any of their respective directors, officers, employees, agents, estates, advisors, professionals or otherwise, except to the extent specifically set forth in the sale agreement ultimately accepted by the Receiver and approved by the Court. Please refer to Article 7.1 of the Asset Purchase and Sale Agreement to review the representations or warranties that the Receiver shall provide.
- 7) All Binding Offers must be open for acceptance until at least June 13, 2016 (the “**Acceptance Period**”) and must be submitted with a bank draft, a certified cheque or proof of funds paid into a solicitor’s trust account acceptable to the Receiver in the amount of 10% of the offer price, which deposit will be subject to the following terms:
  - a. Once a Binding Offer is accepted by the Receiver, subject to Court approval (the “**Accepted Offer**”), the bank draft or certified cheque accompanying the Accepted Offer shall be deemed to be a cash deposit, which will only be refunded in the event that the Court does not approve the Accepted Offer;
  - b. If the transaction contemplated in the Accepted Offer (the “**Transaction**”) is completed, the deposit will be applied, without interest, against the purchase price. If the Transaction is not completed by reason of the Offeror’s default, the deposit shall be retained by and paid to the Receiver on account of but not in full satisfaction of the damages incurred by the Receiver for the benefit of the Debtors’ creditors, and the Receiver shall be entitled to pursue all of its rights and remedies against the Offeror; and
  - c. Bank drafts or certified cheques accompanying Binding Offers that are not accepted by the Receiver will be returned without interest thereon by prepaid registered mail or courier to the Offeror at the address set forth in the Binding Offer as soon as practicable after the expiry of the Acceptance Period.
- 8) During the Acceptance Period, none of the Offerors shall be entitled to retract, withdraw, vary or amend the Binding Offer prior to acceptance or rejection thereof, without the prior written consent of the Receiver.



- 9) Each Binding Offer must be accompanied with a letter setting forth the following:
- a. the identity of the Offeror, the contact information for the Offeror and its principal advisors;
  - b. full disclosure of any affiliations that the Offeror or any of its directors, officers or shareholders had, has or may have with (i) the Debtors, (ii) any affiliates of the Debtors, (iii) any creditor of the Debtors (iv) any holder of equity securities of the Debtors, and (v) any current or former officers, managers or directors of the Debtors; and
  - c. the structure of the financing of the Offeror for the Transaction, including written evidence of a firm, irrevocable commitment for financing or other evidence of the ability of the Offeror to consummate the Transaction.
- 10) In assessing Binding Offers, the Receiver will not be obliged to accept the highest or any Binding Offer. The Receiver will determine which, if any, Binding Offers to accept in its absolute discretion and in accordance with its legal obligation to act in a commercially reasonable manner for the benefit of estate of the Debtors, considering such factors as the amount of the purchase price, closing risk, whether the Binding Offer is with respect to all, or a portion of, the Assets, the Assets subject to the Binding Offer compared with other Binding Offers and the extent of overlap, if any.
- 11) The Receiver will be reviewing, assessing and reporting to the Court on the Binding Offers at an application to be held shortly after the bid deadline (the “**Receiver’s Application**”). It is the Receiver’s intention at the Receiver’s Application to seek approval of one of the Binding Offers, without limiting the Receiver’s right to not accept any Binding Offer . For greater clarity, at the Receiver’s Application, the Receiver intends to provide to the Court a finalized version of an Asset Purchase and Sale Agreement, which will be executed by the Receiver upon Court approval of same.
- 12) The data room will be hosted by Gowling WLG (Canada) LLP and access to and use of such data room will be subject to the data room terms of use, which may be amended from time to time.
- 13) Deloitte is acting strictly in its capacity as Receiver and not in its personal or corporate capacity.
- 14) All stipulations as to time are strictly of the essence, provided that the Receiver shall have the option to extend or abridge any deadline set out herein by written notice to the relevant party.
- 15) The Receiver reserves the right to waive any term or condition. The Receiver reserves the right to amend or terminate the sale process at any time and shall have no responsibility or liability for so doing.
- 16) By submitting a Binding Offer, the Offeror agrees to be bound by these terms and conditions.

Should you have any questions, please contact David Peloquin at 514-393-3577 or by e-mail at [dpeloquin@deloitte.ca](mailto:dpeloquin@deloitte.ca).

Yours very truly,

**DELOITTE RESTRUCTURING INC.,**  
solely in its capacity as the court-appointed receiver and manager  
of Drytech International Inc. and 6892639 Canada Inc. and not in its  
personal or corporate capacity



John Saunders, CPA, CA, CIRP, LIT  
Vice-President

**Schedule A**  
**Assets**

1. Accounts Receivables
2. Customer List
3. Intangibles, including goodwill
4. Contracts, including equipment and vehicle leases, and the franchise agreement
5. Fixed Assets and Equipment
6. Inventories
7. Real Property Leases

**Schedule B**  
**Confidentiality and Non-Disclosure Agreement**

See attached.