

This is the 4th affidavit of
Anthony Topping in this case
and was made on January 19, 2015

No. 11-1946231
Victoria Registry

In the Supreme Court of British Columbia

In the Matter of the Proposal of Contech Enterprises Inc.

AFFIDAVIT

I, Anthony Topping, of 10 Gedney Circle, White Plains, New York, United States of America, businessman, affirm that:


1. I have personal knowledge of the facts deposed to except when stated to be based on information and belief, which facts I believe to be true.
2. I make this affidavit in support of Vegherb's application to correct or amend its proof of claim.
3. I received the first notice of the proposal on Sunday, December 28, 2014 via email from my US counsel Craig Penn. He received the email attached as **Exhibit "A"** from counsel for Contech that same day.
4. The proposal documents define affected secured creditors, without explanation includes the secured debenture holders and Vegherb. I have no idea why Vegherb was specifically mentioned in the category of affected secured creditor. I thought that I was compelled to prove the Vegherb claim as a secured creditor as a result of the terms of the proposal.
5. I attach as **Exhibit "B"** the subordination agreement between First West Credit Union / First West capital ("FWC"), Vegherb, and Contech.

6. When I first considered the nature of Vegherb's claim against Contech for the purposes of filing a proof of claim, I considered the Vegherb general security agreement with Contech.
7. With reference to my affidavit #1 sworn in this proceeding, I have already described the security agreements by which Vegherb justified its proof of claim as a secured creditor.
8. However when considering those documents and preparing the proof of claim, I did not have the benefit of all documentation provided in this proceeding, and had not really directed my mind to any factors beyond the security agreements between Vegherb and Contech, including the documents outside of that relationship which impact the security.
9. On review of those documents I now believe Vegherb is effectively an unsecured creditor.
10. I had not considered:
 - a. the effects of the subordination agreement (Exhibit "B");
 - b. the subordination agreement putting Vegherb in a position subordinate not only to FWC, but to other lenders in priority to FWC; and
 - c. the value of Contech assets Vegherb could realistically realize.
11. I note:
 - a. HSBC, the Business Development Bank of Canada, and Roynat Inc. are all secured creditors in priority to FWC: Report, pages 8 and 10;
 - b. the Trustee values Contech assets at approximately \$2,369,000.00, which liquidation value might be as low as \$1,500,000.00;
 - c. HSBC's outstanding debt as creditor is approximately \$1,412,361.77;

- d. Roynat Inc.'s outstanding debt is approximately \$6,898.00;
 - e. BDC's outstanding secured claim is approximately \$73,000.00 (with a further \$12,220.43 without adequate value in security);
 - f. FWC's outstanding claim amount is approximately \$633,638.23, with a further \$816,361.77 without adequate value in security;
 - g. Vegherb subordinated itself to the first approximately \$1,450,000.00 in security held by FWC; and
 - h. in the event of Contech bankruptcy, the Trustee expects a shortfall to BDC, HSBC, Roynat, and FWC, even under an optimistic recovery scenario.
12. Vegherb is notionally a secured creditor by virtue of the GSA described in my first affidavit, but the reality is that:
- a. Vegherb has agreed to subordinate its security to HSBC, BDC, Roynat, and FWC; and
 - b. the value of security available to Contech is less than the debts Contech owes to FWC, HSBC, Roynat, and BDC.
13. Accordingly, Vegherb has no benefit to any security in Contech's assets, as these assets are pledged to competing claims which exceed their expected value.
14. The Form 78 valued Vegherb's security as \$0.00.
15. Vegherb's claim is an unsecured claim, in that Vegherb has no realistic prospect of realizing any value from its security.

16. I attach as **Exhibit "C"** an amended and restated loan agreement dated March, 2014 sent to me by Mark Grambart of Contech.
17. I was not certain of the relationship between the parties named in that agreement as creditors and debenture holders.
18. Having reviewed the document again, it appears that the debenture holders were in fact going to be shareholders as of September 2015. Vegherb however was simply a creditor, never an equity holder for the amount owed pursuant to the first promissory note.
19. On account of drafting error, paragraph 3 of my affidavit #1 incorrectly references that Vegherb is a creditor of Contech for \$1,456,083.00 USD "including interest"; in paragraph 14 I then inadvertently describe the amount owing as \$1,712,358.34 CAD, which I inadvertently describe as "exclusive of interest and other costs".
20. In fact, the amount of \$1,712,358.34 CAD includes interest and the exchange rate set out in the bullet points of paragraph 14, which reflect the correct amount owed to Vegherb from Contech, and the basis for the calculation.
21. Similarly, in paragraph 3, the amount stated is only the principal amount (in American dollars), but that amount does not represent the interest or other costs, including exchange rate differences between Canadian and American dollars.
22. I did not intend to mislead the Court or Trustee with these early errors.

Sworn before me at Victoria, British Columbia)
 this 19th day of January, 2015)
 _____)
 Name:)
 A Commissioner for Taking)
 Affidavits for British Columbia)



 ANTHONY TOPPING

GREGORY N. HARNEY
 BARRISTER & SOLICITOR
 #602 - 732 BROUGHTON ST
 VICTORIA, BC V8W 1E1
 Direct (250 405-7612

This is Exhibit "A" referred to in the
Affidavit of A. Topping
Sworn before me at Victoria
this 17 day of January, 20 15

Gregory N. Harney
Name:
A Commissioner for taking Affidavits
for British Columbia

GREGORY N. HARNEY
BARRISTER & SOLICITOR
#602 - 732 BROUGHTON ST
VICTORIA, BC V8W 1E1
Direct (250) 405-7612

Greg Harney

From: Craig E. Penn [Craig@cpennlaw.com]
Sent: January-19-15 10:08 AM
To: Greg Harney
Subject: FW: Contech Industries, Inc. ("Contech")
Attachments: Certificate Of Filing - 11-1946231.pdf; Creditor package.pdf

Hi Greg,

This is the first E-Mail I received from him. I have never spoken with him or exchanged E-Mails.

Craig E. Penn

PENN & ASSOCIATES, LLP
Attorneys At Law
260 Madison Avenue, Floor 21
New York, New York 10016-2401
www.cpennlaw.com
(212) 661-5700 (w)
(888) 506-3339 (fax)
Skype: craigpenn1000
craig@cpennlaw.com

From: Kibben Jackson [<mailto:kjackson@fasken.com>]
Sent: Sunday, December 28, 2014 11:10 AM
To: Craig E. Penn
Cc: Prentice Durbin; Danielle Toigo
Subject: Contech Industries, Inc. ("Contech")

Craig:

I am one of Prentice's colleagues in Vancouver. I am emailing you in your capacity as legal counsel to VegHerb LLC ("VegHerb").

Please be advised that on Tuesday, December 23, 2014, Contech filed a Proposal to its creditors under the *Bankruptcy and Insolvency Act* (the "BIA"). The Meeting at which creditors will vote whether or not to approve the Proposal is scheduled for 2:00 p.m. on January 8, 2015 at the offices of Deloitte Restructuring Inc. in Vancouver, B.C.

Pursuant to the provisions of the BIA, upon the filing of a proposal, among other things, all proceedings against the debtor, of any type, are automatically stayed. This applies to any claims and potential proceedings that VegHerb may have or wish to initiate. All claims are then dealt with in accordance with the terms of the proposal.

I have attached hereto the Certificate of Filing and the Creditor Package, which includes, among other things, a copy of the Proposal. A copy of the Creditor Package is also being delivered directly to your client by post.

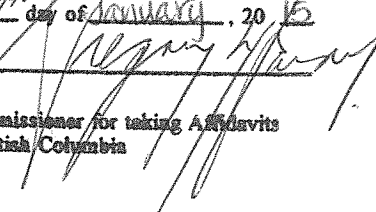
It may be a good idea for us to speak so that you can ask any questions you might have about the proposal process in Canada and, more specifically, what it means for your client. I am around and working this week and in the new year, so let me know if you would like to have a call and we can arrange a date and time.

Sincerely,

This email contains privileged or confidential information and is intended only for the named recipients. If you have received this email in error or are not a named recipient, please notify the sender and destroy the email. A detailed statement of the terms of use can be found at the following address http://www.fasken.com/termsfuse_email/.

Ce message contient des renseignements confidentiels ou privilégiés et est destiné seulement à la personne à qui il est adressé. Si vous avez reçu ce courriel par erreur, S.V.P. le retourner à l'expéditeur et le détruire. Une version détaillée des modalités et conditions d'utilisation se retrouve à l'adresse suivante http://www.fasken.com/fr/termsfuse_email/.

This is Exhibit "B" referred to in the
Affidavit of A. Jopping
Sworn before me at Victoria
this 14th day of January, 20 15


Name:
A commissioner for taking Affidavits
for British Columbia

GREGORY N. HARNEY
BARRISTER & SOLICITOR
#602 - 732 BROUGHTON ST
VICTORIA, BC V8W 1E1
Direct (250) 405-7612

SUBORDINATION AND STANDSTILL AGREEMENT

THIS AGREEMENT dated for reference February 28, 2013.

AMONG:

FIRST WEST CREDIT UNION, a credit union having an office at 6470 – 201 Street, Langley, British Columbia V2Y 2X4;

("FWC")

AND:

VEGHERB, LLC (dba Scenery Solutions), a limited liability company organized and existing under the laws of the State of New York and having its principal place of business at 222 Grace Church Street, Suite 302, Port Chester, New York 10573;

(the "Vendor")

AND:

CONTECH ENTERPRISES INC., a company under the *Business Corporations Act* of British Columbia (BC0889192), having an office at Unit 115 – 19 Dallas Road, Victoria, BC V8V 5A6;

and

CONTECH (U.S.) INC., a corporation incorporated under the laws of the State of Washington (No. 604-368-355), having an office at Unit 115 – 19 Dallas Road, Victoria, BC V8V 5A6

(collectively, the "Borrower")

WHEREAS:

A. The Borrower has established certain credit facilities (the "**FWC Credit Facilities**") with FWC under the terms set forth in the FWC Loan Agreement, and the Borrower has granted or may in the future grant certain security to FWC in connection therewith;

B. The Borrower has also established certain credit facilities (the "**Vendor Credit Facilities**") with the Vendor under the terms set forth in the Vendor Note and the Borrower has granted or may in the future grant certain security to the Vendor in connection therewith; and

C. The parties hereto have agreed to enter into this Agreement in order to set out the respective priorities of the FWC Security and the Vendor Security.

IN CONSIDERATION of the mutual agreements contained in this Agreement, the parties agree as follows:

1. DEFINITIONS

In this Agreement, the terms defined in Schedule "A" shall have the meaning attributed to them therein.

2. CONSENTS

2.1 FWC

FWC consents to and waives any breach by the Borrower of or default under the FWC Security resulting from the creation and issuance of the Vendor Security and to the incurring of the indebtedness secured thereby.

2.2 Vendor

The Vendor consents to and waives any breach by the Borrower of or default under the Vendor Security resulting from the creation and issuance of the FWC Security and to the incurring of the indebtedness secured thereby.

3. SUBORDINATION

3.1 Within the Priority Principal Limit

The Vendor hereby agrees that the Vendor Security, together with all right, title and interest thereunder and the liens, charges and security interests thereof, on the FWC Collateral is hereby postponed and subordinated to the FWC Security, in all respects to the extent of the Priority Principal Limit (as hereinafter defined) plus interest thereon, protective disbursements and related costs and expenses which FWC would be authorized or permitted to charge under the FWC Security as of the date of this Agreement.

The "Priority Principal Limit" means at any time the principal amount of \$1,450,000 less any amount of principal that has been repaid to or cancelled by FWC on account of the non-revolving indebtedness secured by the FWC Security.

3.2 Beyond the Priority Principal Limit

Notwithstanding the foregoing, FWC agrees that the FWC Security, together with all right, title and interest thereunder and the liens, charges and security interests thereof, is hereby postponed and subordinated to the Vendor Security to the extent that the principal amount secured by the FWC Security exceeds the Priority Principal Limit.

3.3 Exceptions

Notwithstanding anything contained herein to the contrary, the priorities and subordinations and postponements set forth in Section 3.1 shall not apply to:

- (a) any interest payable by the Borrower on account of the FWC Credit Facilities in excess of the interest rates provided in the FWC Loan Agreement as of the date of this Agreement;

- 7
- (b) any costs, charges, fees or expenses charged or incurred by FWC which, as of the date of this Agreement, are not provided for as being recoverable under the FWC Security or the FWC Loan Agreement as of the date of this Agreement; or
 - (c) any advance or readvance made by FWC in respect of any credit facility or loan other than the FWC Credit Facilities, to the extent that the same may at any time be secured by the FWC Security, in whole or in part.

3.4 Applicability of the Subordination

Subject to Section 3.5, the subordination and postponement contained in this Agreement shall apply in all events and circumstances regardless of:

- (a) the date of execution, attachment, registration, or perfection of any security interest held by FWC or the Vendor;
- (b) the date of any advance or advances made to the Borrower by FWC or the Vendor;
- (c) the date of default by the Borrower under any of the FWC Security and the Vendor Security or the dates of crystallization of any floating charges held by FWC or the Vendor; or
- (d) any priority granted by any principle of law or any statute, including the *Bank Act* (Canada), or any personal property security or like statute.

3.5 Exception

If any part of the FWC Security or the Vendor Security is found to be unenforceable, invalid, unregistered or unperfected against any party other than FWC or the Vendor by a court of competent jurisdiction, and all appeals from any such finding have been heard and determined, or the period for making any such appeal has expired without an appeal being made, then Sections 3.1 to 3.4 inclusive of this Agreement shall not apply to such part of the said security that is unenforceable, invalid, unregistered, or unperfected as against that party.

3.6 Proceeds

Except as provided in Section 5.1 of this Agreement, any Proceeds received by the Borrower, FWC or the Vendor in respect of the collateral charged by the FWC Security shall be dealt with as though such Proceeds were paid or payable as proceeds of realization of the collateral for which they compensate, and all Proceeds received by the Borrower or the Vendor, as the case may be, to the extent of the Priority Principal Limit, shall be held in trust by the Borrower or the Vendor, as the case may be, for FWC in accordance with this Agreement and to that extent will be paid over or otherwise provided to FWC forthwith upon demand.

3.7 Access to Collateral

FWC and the Vendor shall allow each other and their respective agents access at all reasonable times to any property and assets of the Borrower upon which such other party has a charge or security interest to view the same and access to make copies of or extracts from any books of account and all records, ledgers, reports, documents and other writings relating to such property and assets, and shall permit such other party at all reasonable times to remove any property and assets of the Borrower upon which its charge or security interest has priority

under this Agreement from the premises of the Borrower without interference, provided that such other party shall promptly repair any damage caused to the premises by the removal of any such property or assets.

4. COVENANTS OF THE BORROWER

4.1 Compliance with this Agreement

The Borrower hereby confirms to and agrees with FWC and the Vendor that, so long as the Borrower remains obligated or indebted to FWC and the Vendor, the Borrower shall hold its assets for FWC and the Vendor in accordance with their respective interests and priorities under this Agreement.

4.2 Release of Information

Without limiting the generality of Section 4.1, the Borrower hereby specifically consents to the giving of information and notices by FWC and the Vendor to each other as contemplated in this Agreement.

5. STANDSTILL AND PERMITTED PAYMENTS

5.1 Payments to the Vendor

Notwithstanding any other provisions of this Agreement, FWC agrees with the Vendor that the Borrower may make payments of principal and interest on account of the Vendor Credit Facilities in accordance with the terms and conditions of the Vendor Note, except that if FWC provides written notice to each of the Vendor and the Borrower confirming that:

- (a) the Borrower is in breach of its financial covenants under the FWC Loan Agreement;
- (b) the making of such payment would cause a breach or Event of Default under the FWC Loan Agreement or the FWC Security;
- (c) FWC is making a demand under the FWC Credit Facilities; or
- (d) there has been an Event of Default under the FWC Loan Agreement or the FWC Security,

then the Borrower will not make, and the Vendor will not accept, any repayment to the Vendor as contemplated in this Section 5.1 unless and until FWC notifies the Vendor and the Borrower in writing that the Borrower may resume such repayments. Any payment received by the Vendor in contravention of this Section 5.1 shall be received in trust for FWC and shall be paid over to FWC forthwith upon receipt, but no such payment shall have the effect of reducing the FWC Credit Facilities until the same is actually received by FWC.

The parties agree that any cash or non-cash payment received by the Vendor and subsequently paid over to FWC pursuant to this Agreement will be deemed to never have been received by the Vendor or applied on account of the Vendor Credit Facilities.

5.2 Standstill

Notwithstanding the occurrence of any event of default under the Vendor Security, the Vendor will not take any action against the FWC Collateral or commence any action or other proceedings under the Vendor Security or initiate any bankruptcy or insolvency proceedings against the Borrower, unless or until:

- (a) it has given FWC 60 days written notice of its intention to enforce the Vendor Security;
- (b) it has the prior written consent of FWC to enforce the Vendor Security;
- (c) the Borrower is petitioned or assigned into bankruptcy by a party other than the Vendor;
- (d) there is a stay of proceedings against the Borrower under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* or other similar legislation for the benefit of insolvent debtors; or
- (e) FWC has commenced and not discontinued realization proceedings against the Borrower or the FWC Collateral.

5.3 Exception

Notwithstanding the provisions of Section 5.2, the Vendor will be entitled to take any action under the Vendor Security which does not amount to a realization proceeding, including:

- (a) upon the occurrence and during the continuance of a default under the Vendor Security, accelerating the time for payment of any of the monies then owing to it in accordance with the terms of the Vendor Note and making a demand therefor;
- (b) entering the premises of the Borrower to inspect the FWC Collateral and to review, audit and copy all information relating to the FWC Collateral pursuant to the Vendor Security, provided that it does not remove or destroy any such information;
- (c) filing a proof of claim in respect of the Borrower, if a petition in bankruptcy is filed by or against any of the Borrower; and
- (d) participating in any proposal or similar proceeding under the *Companies' Creditors Arrangement Act* (Canada) or the *Bankruptcy and Insolvency Act* (Canada) in respect of any of the Borrower in a manner not inconsistent with this Agreement.

6. GENERAL

6.1 Information

From time to time and upon request, FWC and the Vendor will advise each other of the particulars of the indebtedness and liability of the Borrower to each, and all security held by each therefor.

6.2 Further Assurance

FWC, the Vendor and the Borrower shall from time to time do, perform, execute and deliver all acts, deeds and documents as may be necessary to give full force and effect to the intent of this Agreement, provided, however, that no consent of the Borrower shall be necessary to any amendment of the terms hereof by FWC and the Vendor unless the interests of the Borrower are directly affected thereby. The Vendor appoints FWC, or its solicitors, as the Vendor's agents to make any registrations or filings as may be necessary or desirable with respect to this Agreement, including the registration of any financing change statement at the Personal Property Registry for the province of British Columbia.

6.3 Financing Statement

The Borrower waives any right it may have to require FWC or the Vendor to deliver to it a copy of the financing statement, financing change statement or verification statement resulting from a registration of the particulars of this Agreement at the Personal Property Registry for the province of British Columbia.

6.4 Notice of Demand

Prior to making any demand on the Borrower for repayment of any funds owed, FWC or the Vendor, as the case may be, shall provide each other 72 hours prior notice of such demand, provided, however, that if the party making the demand determines in good faith that any delay in demanding payment would be prejudicial to it, then such notice need only be given at the time that demand for payment is made, or so soon thereafter as may be reasonably practicable. Neither FWC nor the Vendor shall be liable for any accidental omission to provide notice as required pursuant to this Section 6.4. Notwithstanding anything else stated herein, any failure by Vendor to serve proper notice upon FWC pursuant to this paragraph 6.4 shall not constitute a defence to repayment by Borrower of amounts owed to Vendor.

6.5 Notice

Any notice required or permitted to be given pursuant to this Agreement shall be in writing and shall be addressed and delivered to the parties as follows:

- (a) in the case of FWC, addressed as follows:

FIRST WEST CREDIT UNION
6470 201 Street
Langley, BC V2Y 2X4

Attention: Kristi Miller

Fax No: 604.501.4261

- (b) in the case of the Vendor, addressed as follows:

VEGHERB, LLC
222 Grace Church Street
Suite 302
Port Chester, NY 10573

Attention : Managing Member

Fax No: 914.933.0158

with a copy to:

PENN & ASSOCIATES, LLP
767 Third Avenue, Suite 3600
New York, NY 10017-2023

Attention: Craig E. Penn, Esq.

Fax No: 888.506.3339

Phone: 212.661.5700

cpenn@cpennlaw.com

(c) in the case of the Borrower, addressed as follows:

CONTECH ENTERPRISES INC.
CONTECH (U.S.) INC.
Unit 115 – 19 Dallas Road
Victoria, BC V8V 5A6

Attention: Mark Grambart, President

Facsimile No.: 250.383.3163

with a copy to:

FASKEN MARTINEAU DUMOULIN LLP
2900 – 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Prentice Durbin

Fax No: 604.631.3232

Notices may be transmitted by fax or email or delivered personally and in each case shall be deemed to be received on the day it is so transmitted or delivered, if that day is a business day, or otherwise on the next business day following the transmission or delivery.

6.6 Counterparts

This Agreement may be executed in several counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and shall be effective as of the reference date specified on page one of this Agreement.

6.7 Enurement

This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns, and shall be governed by the laws of British Columbia.

6.9 Assignment

Neither FWC nor the Vendor shall sell, transfer, assign or otherwise deal with any of their interests in the FWC Security or the Vendor Security, as the case may be, without first obtaining from the proposed transferee, assignee or chargee an agreement whereby the proposed transferee, assignee or chargee agrees to be bound by the provisions hereof.

6.10 Extension

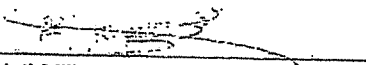
FWC may grant time, renewals, extensions, releases and discharges to, accept compositions from and otherwise deal with the Borrower as FWC may see fit, the whole without notice to the Vendor and without prejudice to or in any way limiting or affecting the agreements on the part of the Vendor set forth in this Agreement.

6.11 PPSA Registration Particulars

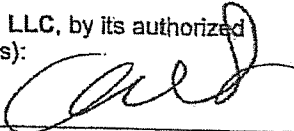
The Vendor authorizes FWC or its agents to complete Schedules "B" and "C" hereto with all appropriate PPSA registration particulars.

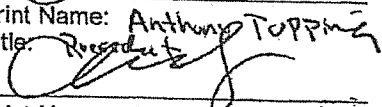
IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first above written.

FIRST WEST CREDIT UNION, by its authorized signatory:

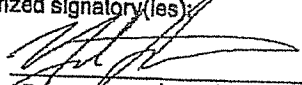
Per: 
Kristi Miller
Vice President

VEGHERB, LLC, by its authorized signatory(ies):

Per: 
Print Name: Anthony Topping
Title: President

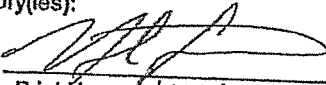
Per: 
Print Name: Anthony Topping
Title: President

CONTECH ENTERPRISES INC., by its authorized signatory(ies):

Per: 
Print Name: Mark Granberg
Title: President

Per: _____
Print Name:
Title:

CONTECH (U.S.) INC., by its authorized signatory(ies):

Per: 
Print Name: Mark Granberg
Title: President

Per: _____
Print Name:
Title:

SCHEDULE "A"

Unless otherwise defined in this Agreement, all terms with initial capital letters shall have the meaning ascribed to them in the PPSA.

The following terms shall have the following meanings:

- (a) "Agreement" means this subordination and standstill agreement dated for reference February 28, 2013, as the same may be amended, extended, renewed, restated, superseded or replaced and in effect from time to time;
- (b) "Event of Default" means a breach of a covenant or other term or condition of the FWC Loan Agreement;
- (c) "FWC Collateral" means all of the personal property, assets, effects and undertaking of the Borrower, both present and future, of whatsoever kind and wheresoever situate, and all proceeds and renewals thereof and therefrom, accretions thereto and substitutions therefor;
- (d) "FWC Loan Agreement" means the loan agreement between FWC and the Borrower dated for reference February 28, 2013, as may be amended, extended, renewed, restated, superseded or replaced and in effect from time to time;
- (e) "FWC Security" means each and every document, instrument or security now or at any time in the future issued or granted to or held by FWC in connection with the FWC Loan Agreement which creates or purports to create a mortgage, charge or security interest upon or in all or any part of the FWC Collateral, including without limiting the generality of the foregoing, the security issued or granted to or held by FWC or which is the subject of or derives its priority from any registration as described in Schedule "B" hereto and any modification, extension, renewal or substitution thereof or therefor in effect from time to time;
- (f) "PPSA" means the *Personal Property Security Act* (British Columbia);
- (g) "Proceeds" has the same meaning as defined in the PPSA;
- (h) "Vendor Note" means the USD\$2,301,650.00 promissory note issued by Contech Enterprises Inc. to the Vendor in the form attached as Schedule "D" hereto; and
- (i) "Vendor Security" means each and every document, instrument or security now or at any time in the future issued or granted to or held by the Vendor in connection with the Vendor Note which creates or purports to create a mortgage, charge or security interest upon or in all or any part of the FWC Collateral, including without limiting the generality of the foregoing, the security issued or granted to or held by the Vendor or which is the subject of or derives its priority from any registration as described in Schedule "C" hereto and any modification, extension, renewal or substitution thereof or therefor in effect from time to time.

Except where the context may otherwise require, all references to the FWC Security, the Vendor Security and the FWC Collateral include where applicable in each case each or any of them separately or any part or parts thereof separately.

SCHEDULE "B"

(FWC Security)

Any and all security agreements from time to time which are the subject of or derive their priority from the financing statements registered in the British Columbia Personal Property Registry as follows:

Name of Debtor(s)	Registration Date	Base Registration Number
Contech Enterprises Inc. Contech (U.S.) Inc.	February 18, 2013	195617H (British Columbia)
Contech Enterprises Inc. Contech (U.S.) Inc.	February 18, 2013	22634752 (New Brunswick)
Contech Enterprises Inc. Contech (U.S.) Inc.	February 22, 2013	2013-053-0439-9 (State of Washington)

1

SCHEDULE "C"

(Vendor Security)

Any and all security agreements from time to time which are the subject of or derive their priority from the financing statements registered in the British Columbia Personal Property Registry as follows:

Name of Debtor(s)	Registration Date	Base Registration Number
Contech Enterprises Inc.	July 27, 2011	271217G
Contech Enterprises Inc.	January 31, 2012	565779G
Contech Enterprises Inc.	July 25, 2012	867614G
Contech Enterprises Inc.	October 29, 2012	024396H

SCHEDULE "D"
PROMISSORY NOTE

PROMISSORY NOTE

Date of Issue: February 22, 2013
Port Chester, New York
Amount: USD \$2,301,650.00

FOR VALUE RECEIVED, the undersigned, CONTECH ENTERPRISES INC., a corporation amalgamated under the laws of the Province of British Columbia, Canada, having a principal place of business at Unit 115, 19 Dallas Road, Victoria, British Columbia, Canada, V8V 5A6 (the "Maker"), promises to pay to or to the order of VEGHERB, LLC, a limited liability company organized and existing under the laws of the State of New York and having its principal place of business at 222 Grace Church Street, Port Chester, New York 10573 (the "Payee") the principal sum of Two Million Three Hundred One Thousand Six Hundred Fifty and 00/100 United States Dollars (\$2,301,650.00) (the "Principal").

The Principal amount of this Promissory Note shall be due and payable in accordance with the following schedule of payments:

Schedule of Payments:

- (i) \$551,650.00 on or before June 15, 2013;
- (ii) \$50,000.00 on or before September 30, 2013;
- (iii) \$200,000.00 on or before April 1, 2014;
- (iv) \$300,000.00 on or before October 30, 2014;
- (v) \$300,000.00 on or before October 30, 2015;
- (vi) \$300,000.00 on or before October 30, 2016;
- (vii) \$300,000.00 on or before October 30, 2017; and
- (viii) \$300,000.00 on or before October 30, 2018.

1. **Prepayment** - The Maker may prepay in full any and all remaining portion of the outstanding Principal at any time prior to the time a payment is due without bonus or penalty.
2. **Renewal** - The Payee may renew, extend (repeatedly and for any length of time) or modify this Promissory Note so long as such modification is not more onerous on the Maker, from time to time, or release the Maker. The Maker shall be obliged under and pursuant to this Promissory Note until the entire debt evidenced hereby is paid in full, notwithstanding any actions, whether by foreclosure or otherwise, which may be brought to recover any amount payable under this Promissory Note.
3. **Costs and Expenses** - The Maker shall pay the following costs, expenses, and attorney fees paid or incurred by the Payee, or adjudged by a court: (i) all costs of collection and costs, expenses, and attorneys' fees paid or incurred in connection with the collection or enforcement of this Promissory Note, regardless of whether a legal suit is filed; (ii) all costs, expenses, and attorneys' fees paid or incurred in connection with representing the Payee in any bankruptcy, reorganization, receivership, or other proceedings affecting creditors' rights and involving a claim under this Promissory Note; and (iii) all costs of suit and such sum as the a Court may

adjudge as attorneys' fees in any action to enforce payment of this Promissory Note or any part of it.

4. Payee's Non-Waiver of Rights - Failure of the Payee to enforce any of its rights or remedies under this Promissory Note shall not constitute a waiver of the rights of the Payee to enforce such rights and remedies thereafter.

5. Maker's Waivers - The Maker hereby waives demand and presentment for payment, protest and notice of protest of this Promissory Note.

~~6. Transferability - This Promissory Note may not be assigned or transferred by Payee without Maker's prior written consent. This Promissory Note may not be assigned or transferred by Maker without Payee's prior written consent.~~

7. Tax Gross Up - All payments under this Promissory Note shall be made without defense, setoff or counterclaim, free and clear of and without deduction for any taxes of any nature now or hereafter imposed.

8. Default - In the event that Maker fails to pay when due an amount owed under this Promissory Note and such failure continues for five (5) Business Days, any and all of the remaining portion of the Principal shall become immediately due and payable. The outstanding balance of any amount owing under this Promissory Note which is not paid when due shall bear interest at the rate of eight percent (8%) per annum.

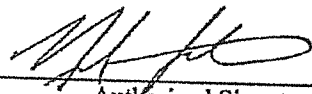
9. Governing Law - This Promissory Note and the obligations of the undersigned shall be governed by and construed in accordance with the laws of the State of New York. For purposes of any proceeding involving this Promissory Note or any of the obligations of the undersigned, the undersigned hereby submits to the exclusive jurisdiction of the courts of the State of New York and of the United States having jurisdiction in the State of New York and County of Westchester, and agree not to raise and waive any objection to or defense based upon the venue of any such court and any objection or defense based upon *forum non conveniens*. The undersigned agrees not to bring any action or other proceeding with respect to this Promissory Note or with respect to any of its obligations in any other court unless such courts of the State of New York and of the United States determine that they do not have jurisdiction in the matter.

10. Amendment - This Promissory Note may not be amended without the prior written approval of the Payee.

11. Asset Purchase Agreement - This Promissory Note is intended to secure payments owed to Payee by Maker in accordance with the terms and conditions of an asset purchase agreement by and between the Maker and Payee of even date herewith.

IN WITNESS WHEREOF the Maker has caused its respective duly authorized signatory to execute and deliver this Promissory Note to the Payee as of the day and year first above written.

CONTECH ENTERPRISES INC.

Per: 

Authorized Signatory
Name: Mark Grambart
Title: President

This is Exhibit "C" referred to in the
 Affidavit of H. Topping
 Sworn before me at Victoria
 this 19th day of January, 20 15

Gregory N. Harney
 Name:
 A Commissioner for taking Affidavits
 for British Columbia

GREGORY N. HARNEY
 BARRISTER & SOLICITOR
 #602 - 732 BROUGHTON ST
 VICTORIA, BC V8W 1E1
 Direct (250) 405-7612

AMENDED AND RESTATED LOAN AGREEMENT

This Amended and Restated Loan Agreement (this “**Agreement**”) is dated for reference as of the 7th day of March, 2014,

AMONG:

CONTECH ENTERPRISES INC., a company existing under the laws of British Columbia and having an address at Unit 115, 19 Dallas Rd., Victoria, BC, V8V 5A6

(the “**Borrower**”)

AND:

EACH OF THE PARTIES THAT IS A SIGNATORY HERETO

(the “**Original Lenders**”)

AND:

EACH OTHER PARTY THAT AGREES TO BE BOUND BY THE TERMS OF THIS AGREEMENT

(the “**Additional Lenders**”, and together with the Original Lenders, the “**Lenders**”)

WHEREAS:

- A. the Company and certain of the Original Lenders, being Paul Hooper, Marianne Hooper, Sadler Farms Ltd. and Denman Island Chocolate Ltd. (the “**February Lenders**”), entered into a loan agreement (the “**February Loan Agreement**”) on February 19, 2014 whereunder the February Lenders advanced \$700,000 (the “**February Advances**”) on the terms and conditions set out therein and as secured by a general security agreement in favour of each of the February Lenders;
- B. the Company wishes to borrow, up to an aggregate amount of \$3,000,000, including the February Advances, or such larger amount as approved by Lender Approval (the “**Principal**”), on the terms and conditions set out in this Agreement;
- C. the Original Lenders are to advance, or have advanced pursuant to the February Loan Agreement, the aggregate amount of \$2,200,000 of the Principal, as outlined in Schedule 3 attached hereto, on the terms and conditions set out in this Agreement;
- D. the Borrower may, from time to time, accept additional advances up to the Principal; and

- E. the Original Lenders, as applicable, and the Borrower have agreed to amend and restate the February Loan Agreement and enter into this Agreement to set out the terms and conditions upon which the Lenders will loan the Principal to the Borrower,

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants made hereunder and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto hereby agree as follows:

ARTICLE 1 - LOANS

1.1 **The Loan.** Subject to the provisions of this Agreement, each Original Lender agrees to advance to the Borrower that portion of the Principal as set opposite such Original Lender's name in the column labeled "**Loan Amount**" in Schedule 3. In the case of each of the February Lenders, such amount shall be the applicable portion of the February Advances previously advanced to the Borrower under the February Loan Agreement. The Lenders' loan obligations are individual, not joint and several. Without limiting the generality of the foregoing, each Original Lender shall only be obligated to loan to the Borrower that portion of the Principal set opposite such Original Lender's name in Schedule 3 and not previously advanced under the February Loan Agreement, as applicable, and if one Original Lender fails to disburse such Original Lender's portion, the other Lenders shall not be obligated to disburse any additional amounts.

1.2 **Secured Convertible Debentures.** Subject to Section 1.3 below, the Borrower will issue to each Lender, as evidence of the indebtedness of the Borrower to such Lender, under this Agreement (the "**Indebtedness**"), a secured convertible debenture (each a "**Debenture**", and collectively, the "**Debentures**") in the form attached hereto as Schedule 1.

1.3 **Form of Debenture and Interest.** Each Lender shall elect, in its sole discretion, to either:

- (a) receive a non-interest bearing Debenture whereunder that portion of the Principal advanced by such Lender is convertible into Common shares in the capital of the Borrower at CDN\$0.0314 per share; or
- (b) receive an interest-bearing Debenture where interest shall accrue on that portion of the Principal advanced by such Lender at a rate of 6% per year, and shall be payable monthly in arrears and all of such portion of the Principal is convertible into Common shares in the capital of the Borrower at CDN\$0.0325 per share.

1.4 **Use of Proceeds.** The Borrower shall use the proceeds of the loan made hereunder for repaying certain outstanding obligations, working capital and to fund its ongoing operations.

1.5 **Security and Priority.**

- (a) As security for the obligations of the Borrower to the Lenders, the Borrower has executed and delivered to the Original Lenders a general security agreement (the "**GSA**"). The Obligations (as defined in the GSA) to all Lenders shall rank prior

to all other indebtedness of the Borrower, other than the prior security interests listed in Schedule 2 and also as provided for in Section 1.5(b) and Section 1.5(c).

- (b) Each of the Lenders hereby agrees that the security interests granted by the Borrower in favour of the Lenders pursuant to the GSA shall be subordinate and postpone to any and all security interests granted after the date hereof by the Borrower in favour of Cary Gregory or a recognized financial institution, being a chartered bank or credit union, or other financial institution approved by the Lenders by Lender Approval.
- (c) Any action to be taken by a Lender (defined as a “Secured Party” in the GSA) pursuant to the terms of the GSA must be taken in accordance with the terms of this Agreement and with Lender Approval.

1.6 *Conversion and Repayment.*

- (a) At any time prior to the Due Date, as defined below, if the Principal has not been fully paid, a Lender will have the option, upon receipt by the Borrower of such Lender’s written election to convert, to convert all or a portion of such Lender’s Principal outstanding into Common shares in the capital of the Borrower as provided for in the Debentures.
- (b) On the Due Date (as defined in Subsection 1.6(c)), the outstanding Principal shall be converted, without any further action on the part of any one or more of the Lenders, into such number of Common shares in the capital of the Borrower as is provided for in the Debentures.
- (c) Conversion contemplated in Subsection 1.6(b) shall occur on (the “Due Date”):
 - (i) September 7, 2015; or
 - (ii) such later date agreed upon in writing by the Borrower and the Lenders by Lender Approval.
- (d) The Borrower shall be required to repay the outstanding portion of the Principal and all accrued and unpaid interest thereon on the date of receipt by the Borrower of a notice authorized by Lender Approval that an Event of Default under Section 1.7 has occurred.

1.7 *Events of Default.*

- (a) The Borrower shall be in default under this Agreement, unless waived by the Lenders by Lender Approval, in any of the following events (each an “Event of Default” and together “Events of Default”):
 - (i) the Borrower being in material breach of any term, condition, obligation, covenant, representation or warranty made by the Borrower to the Lenders in this Agreement, the GSA or the Debentures (collectively, the “Transaction Documents”) or under any other agreement or instrument

of which any of the Lenders has the benefit, whether or not collateral or supplemental thereto;

- (ii) the Borrower becoming insolvent or ceasing to carry on business;
- (iii) if any order is made or a resolution passed, for the winding-up of the Borrower, or if a petition is filed for the winding-up of the Borrower;
- (iv) if any receiver, receiver-manager, trustee, custodian, liquidator or similar agent is appointed for the Borrower; or
- (v) if any proceedings concerning either the Borrower are commenced under the *Companies' Creditors Arrangement Act* or under Chapter 11 of Title 11 of the United States Code;

provided that an Event of Default shall not constitute an Event of Default if the Borrower cures the same within 15 days of such Event of Default.

- (b) Upon the occurrence of an Event of Default, the Lenders, by Lender Approval up until the Due Date and individually thereafter, may deliver a demand to the Borrower and, upon receipt by the Borrower of such demand, the Principal referred to in the demand and any accrued interest thereon shall immediately become due and payable.

1.8 **Form of Payment.** Payments to the Lenders hereunder shall be made by cheque, wire transfer, bank draft or solicitors' trust cheque against delivery of the Debenture evidencing the indebtedness being repaid. If only part of the indebtedness evidenced by a Debenture is being paid, then the Borrower shall concurrently issue and deliver a Debenture, using the same form originally issued, for the remaining balance.

ARTICLE 2 - REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 **Representations and Warranties of the Borrower.** To induce the Lenders to make the loans contemplated under this Agreement, the Borrower hereby makes the following representations and warranties which shall survive for the benefit of each Lender for the period while that portion of the Indebtedness owed to such Lender remains outstanding:

- (a) the Borrower is validly existing and in good standing under the laws of British Columbia with respect to filing its annual reports;
- (b) the Borrower:
 - (i) has the power and authority to carry on the business now being carried on by it and has the full power and authority to execute and deliver, or had full power and authority when it executed and delivered, as applicable, the Transaction Documents; and
 - (ii) has taken all necessary and requisite corporate proceedings and all resolutions and authorizations have been taken, passed, done and given by

- it and by its directors to authorize, permit and enable it to execute and deliver the Transaction Documents;
- (c) each of the Transaction Documents, when executed and delivered, will constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally;
 - (d) Schedule 5 sets out all of the outstanding debt of the Borrower as of the date of this Agreement;
 - (e) neither the execution and delivery of the Transaction Documents nor compliance with the terms, conditions and provisions thereof:
 - (i) will conflict with or result in a material breach of any of the terms, conditions or provisions of:
 - (A) the constating documents of the Borrower;
 - (B) any agreement, instrument or arrangement to which the Borrower is now a party or by which it is or may be bound, or constitute a default thereunder;
 - (C) any judgment or order, writ, injunction or decree of any court; or
 - (D) any applicable law or governmental regulation;
 - (ii) will contravene, conflict with or result in a violation or breach of, or trigger any adverse material change in the affairs of the Borrower;
 - (iii) will violate or constitute a default under any provision of law, any order of any court or other agency of government, the constating documents of the Borrower or any instrument, agreement or commitment to which the Borrower is a party or by which the Borrower or any of its properties or assets are bound; or
 - (iv) will require the Borrower to obtain any consent, license, certification or approval from any third party which has not been duly obtained and no person has any rights of first refusal or any pre-emptive rights in connection with the issuance of the Transaction Documents other than those which have been otherwise waived;
 - (f) upon receipt of that portion of the Principal by the Borrower at a Closing (as defined in Section 3.1), the Debentures issued at such Closing will be duly and validly created and authorized and will be issued and delivered as fully paid and non-assessable to the Lenders in their respective proportions in compliance with all applicable securities laws, and the Lenders will be the legal and registered owners of their respective Debentures;

- (g) there is no action, proceeding or investigation pending, or to its knowledge threatened, against or affecting the Borrower at law or in equity which, if determined adversely to the Borrower, could have a material adverse effect;
- (h) the Common shares in the capital of the Borrower to be issued upon conversion of the Principal have been duly and validly created, authorized and allotted, and upon issuance will be issued as fully paid and non-assessable shares; and
- (i) the Borrower owns, possesses and has good title to all currently held Collateral (as defined in the GSA), free from all security interests, mortgages, charges, encumbrances, liens and claims, except those, if any, disclosed in Schedule 2.

2.2 **Reliance and Indemnity of Lenders.** The Lenders are relying on the representations and warranties set forth in Section 2.1, notwithstanding any investigation or enquiries made by the Lenders or waiver of any conditions to advancing funds under this Agreement, and the Borrower agrees to indemnify and save harmless each of the Lenders from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by a Lender as a result of or in connection with any of those representations or warranties being incorrect or breached.

2.3 **Representations and Warranties of the Lenders.** Each of the Lenders, severally and not jointly, represents and warrants to the Borrower that:

- (a) such Lender is purchasing its Debenture as principal in the amount set out in Schedule 3 or such amount advanced by an Additional Lender, as applicable; and
- (b) at the applicable Closing Date, such Lender will be a person who is:
 - (i) a director, executive officer or control person of the Borrower;
 - (ii) a spouse, parent, grandparent, brother, sister, child or grandchild of a director, executive officer or control person of the Borrower;
 - (iii) a parent, grandparent, brother, sister, child or grandchild of the spouse of a director, executive officer or control person of the Borrower;
 - (iv) a close personal friend of a director, executive officer or control person of the Borrower;
 - (v) a close business associate of a director, executive officer or control person of the Borrower;
 - (vi) a person of which a majority of the voting securities are beneficially owned by, or a majority of the directors are, persons described in paragraphs (i) to (v); or
 - (vii) an accredited investor, as that term is defined in section 1.1 of National Instrument 45-106 - *Prospectus and Registration Exemptions*.

2.4 **Reliance and Indemnity of Borrower.** The Borrower is relying on the representations and warranties set forth in Section 2.3, notwithstanding any investigation or enquiries made by the Borrower or waiver of any conditions to advancing funds under this Agreement; and the Lenders agree, severally and not jointly, to indemnify and save harmless the Borrower from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by the Borrower as a result of or in connection with any breach of those representations or warranties or covenant.

ARTICLE 3 - DISBURSEMENT CONDITIONS AND CLOSING

3.1 **Time and Place of Closings.** The advance of such portions of the Principal to the Borrower (each a “**Closing**”) under this Agreement from time to time will take place on or about the date hereof (the “**First Closing**”) or such other date an Additional Lender advances their respective portion of the Principal (each, a “**Subsequent Closing**” and the date of each Closing, a “**Closing Date**”), as applicable, and will occur at 2 p.m. (Vancouver time) on such Closing Date at the offices of Fasken Martineau DuMoulin LLP at 2900 – 550 Burrard Street, Vancouver, British Columbia.

3.2 **Disbursement Conditions.** The obligation of the Lenders to advance the Principal under this Agreement is subject to the satisfaction of each of the following conditions precedent:

- (a) the Borrower shall have received all consents and waivers required under applicable law or agreements to permit the issuance of the Debentures;
- (b) the Lenders shall be satisfied with the completion of due diligence;
- (c) such percentage of existing debt as acceptable by BC Advantage Fund (VCC) Ltd. shall have been converted into Common shares in the capital of the Borrower at a conversion price of \$0.08 per share;
- (d) Mark Grambart and Allen Spigelman shall have each converted their fiscal 2012 bonus of \$85,000, respectively, into Common shares in the capital of the Borrower at a conversion price of \$0.08 per share, and executed and delivered unconditional releases from Mark Grambart and Allen Spigelman relating to the same;
- (e) execution, delivery and registration of all security documents and other documents relating to the advance of Principal under this Agreement and receipt of subordination, postponement and inter-creditor agreements to effect the Lenders’ security and ranking, in each case to the satisfaction of BC Advantage Fund (VCC) Ltd., acting reasonably;
- (f) the Borrower shall have received a letter from HSBC confirming that the Borrower is, as of the date of the First Closing, in material compliance with the terms of its credit facility with HSBC;
- (g) the representations and warranties of the Borrower contained in Section 2.1 and in the other Transaction Documents shall be true, accurate and correct on and as of

the applicable Closing Date with the same effect as though such representations and warranties had been made on and as of such Closing Date; and

- (h) the Lenders shall be satisfied that the Borrower shall have performed, or be able to perform, all obligations and covenants to be performed by it before or at the applicable Closing under this Agreement.

3.3 **Minimum First Closing Amount.** Notwithstanding any other provision herein, the obligations of Borrower under Section 3.6 below and otherwise herein are subject to the Original Lenders having advanced an aggregate loan amount at the First Closing, which shall include the February Advances, of not less than \$2,200,000.

3.4 **Borrower's Failure to Satisfy Conditions Precedent.** The conditions precedent set forth in Section 3.2 of this Agreement are for the sole benefit of the Lenders and whether or not the Lenders, or any one of them, are satisfied or unsatisfied shall be determined by the Lenders in their sole, absolute and unfettered discretion. If one or more of such conditions precedent in Section 3.2 are not satisfied on or before the applicable Closing Date and the Lenders, as applicable, fail to waive in writing strict compliance therewith, then the Lenders shall not be obligated to advance such portion of the Principal contemplated hereunder and such Closing shall not proceed.

3.5 **Lender's Failure to Satisfy Condition Precedent.** The condition precedent set forth in Section 3.3 of this Agreement is for the sole benefit of the Borrower. If such condition precedent in Section 3.3 is not satisfied on or before the First Closing and the Borrower fails to waive in writing strict compliance therewith, then the Borrower shall not be obligated to satisfy its obligations hereunder and such First Closing shall not proceed.

3.6 **Closing Obligations of the Borrower.** At each Closing, the Borrower shall deliver or cause to be delivered to the Lenders, as applicable, the following documents in form satisfactory to such Lenders:

- (a) this Agreement duly executed by the Borrower;
- (b) the GSA duly executed by the Borrower in favour of the Original Lenders; and
- (c) a Debenture in the proper amount for each Lender, duly executed by the Borrower.

3.7 **First Closing Obligations of the Original Lenders.** Each of the Original Lenders covenants and agrees with the Borrower that at the First Closing, each Original Lender shall deliver or shall have caused to be delivered to the Borrower:

- (a) this Agreement duly executed by such Original Lender;
- (b) if applicable, the debenture representing such Original Lender's portion of the February Advances, surrendered for cancellation;
- (c) if applicable, a certificate of accredited investor in a form acceptable to the Borrower and duly executed by such Original Lender; and

- (d) a certified cheque, wire transfer, solicitors' trust cheque or bank draft for the loan amount shown next to their name in the column labelled "**Loan Amount**" in Schedule 3 and not previously advanced under the February Loan Agreement.

3.8 **Subsequent Closing Obligations of the Additional Lenders.** Each of the Additional Lenders, covenants and agrees with the Borrower that at each such applicable Subsequent Closing, such Additional Lender shall deliver or shall have caused to be delivered to the Borrower:

- (a) an agreement to be bound to this Agreement duly executed by such Additional Lender and in substantially the form attached hereto as Schedule 4;
- (b) if applicable, a certificate of accredited investor in a form acceptable to the Borrower and duly executed by such Additional Lender; and
- (c) a certified cheque, wire transfer, solicitors' trust cheque or bank draft for the loan amount to be advanced by such Additional Lender.

ARTICLE 4 - INTER-LENDER PROVISIONS

4.1 **Additional Lenders.** Notwithstanding any other provision to the contrary, the Borrower shall not grant a security interest to any Additional Lender or issue a Debenture to such party, and such Additional Lender shall have no interest in the security granted pursuant to the GSA (the "**Security**") or in the rights and priorities granted hereunder, until such time as such Additional Lender advances their respective portion of the Principal to the Company, and then only for the amount actually advanced.

4.2 **Pari Passu Security.** As amongst themselves, the Lenders each shall have a Pro Rata interest in the Security, and their respective Pro Rata interests shall rank *pari passu* with each other, which priority shall be in effect notwithstanding:

- (a) the respective dates on which the Security was registered in favour of a Lender;
- (b) the respective dates on which any notices are given by any Lender to any debtors of the Borrower;
- (c) the respective dates of crystallization or realization by any Lender under the GSA;
- (d) the priority of such security interests, mortgages, charges, pledges or other encumbrances otherwise prescribed under any applicable laws; or
- (e) any other act or circumstance whatsoever which may otherwise alter or postpone their interests under the GSA.

Each Lender shall hold its interest in the Security for the benefit of the other Lenders in accordance with the provisions of this Agreement.

4.3 **Realization of Security.** None of the Lenders shall be entitled to realize on the Security unless the Lenders by Lender Approval consent in writing to the commencement of realization

proceedings and the method(s) of realization. Upon such consent being obtained, the Lenders shall take all actions necessary to so realize on the Security. Any other decisions or actions of the Lenders required in the course of realizing upon the Security shall similarly require Lender Approval, and upon such consent being obtained the Lenders shall take all actions necessary to implement such decision or action.

4.4 **Costs of Realization.** In the event that it becomes necessary or advisable for a Lender to lend money to a receiver or receiver-manager against the receiver's or receiver-manager's certificate(s) or to expend monies with respect to inspection, repairs or other matters contemplated by the GSA, the Lenders shall share the cost of each such expenditure Pro Rata. The Lenders shall, promptly following each such expenditure, make all necessary adjustments or reimbursements as among themselves as are necessary to result in the Pro Rata sharing of such costs.

4.5 **Proceeds of Realization.** The Security shall, if realized, be realized for the common benefit of the Lenders, and all proceeds resulting from the enforcement or realization of such Security and all other proceeds received by the Lenders pursuant to the GSA, including without limitation, insurance proceeds, shall be distributed amongst the Lenders on a Pro Rata basis.

4.6 **Dissolution of the Borrower.** In the event of the dissolution, liquidation, winding up or bankruptcy (voluntary or otherwise) of the Borrower or distribution of its assets among its creditors, all monies which may be received by the Lenders in respect of the Indebtedness shall be divided among them in the same manner as proceeds from the realization of the Security.

4.7 **Application of Payments.** All payments received by the Lenders from the Borrower on account of the Indebtedness shall be applied by each Lender to such Indebtedness and shall not be applied on account of any other indebtedness or liability of the Borrower unless the written consent of the other Lenders is first obtained.

4.8 **Negative Covenants.** Other than as otherwise provided herein, a Lender shall not, without Lender Approval:

- (a) take any action under the GSA, unless so indicated in the GSA that it may do so;
- (b) amend or modify the Security;
- (c) other than as contemplated herein, release or subordinate:
 - (i) the Security; or
 - (ii) any of the Indebtedness;
- (d) other than in the event of repayment or conversion as contemplated herein, discharge the Security in whole or in part or release or forgive the Borrower in respect of any of the Indebtedness;
- (e) sell or assign any of their right, title and interest in and to the Security or the Indebtedness; or

- (f) take or obtain any further security from the Borrower in respect of the Indebtedness.

4.9 **Covenant to Subordinate.** Upon receipt of Lender Approval as contemplated under Section 4.8(c), if Lenders representing not less than 50% of the outstanding Indebtedness (the “**Subordinating Lenders**”) wish to release or subordinate the Security or any of the Indebtedness, all Lenders shall be required to release or subordinate, as the case may be, their respective Security and Indebtedness on the same terms and conditions as the Subordinating Lenders.

4.10 **Exchange of Information.** Any Lender making demand in accordance with such Lender’s Debenture shall promptly deliver a copy of such demand to the other Lenders. The Lenders shall also furnish to each other from time to time upon request, information and particulars as to the outstanding Indebtedness owed to the Lenders by the Borrower and whether the Borrower is or has been in default of payment or has otherwise been in default of any of its obligations under this Agreement, or the GSA.

4.11 **Ceasing to be a Lender and Discharge of Security.** Notwithstanding any other provision hereof, once the portion of the Indebtedness owed to a party hereunder has been paid, converted or otherwise satisfied in full, that party shall, thereafter, be deemed not to be a Lender, and such party hereby agrees that at such time and thereafter, the GSA shall be of no further force or effect and the Borrower shall be entitled to discharge any registered security interest in favour of such Lender.

4.12 **Indemnity.** Each Lender agrees to indemnify and save harmless the other Lenders from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and his own client, suffered or incurred by the other Lenders as a result of or in connection with the Lender materially breaching any of the covenants and agreements set forth in this Article.

4.13 **Conflict.** In the event of a conflict between the provisions of this Agreement and the GSA, the terms of this Agreement shall prevail.

ARTICLE 5 - GENERAL PROVISIONS

5.1 **Definitions.** In this Agreement, unless the context otherwise requires:

- (a) “**Lender Approval**” means the approval in writing of Lenders holding more than 50% of the amount of Indebtedness outstanding from time to time; and
- (b) “**Pro Rata**”, as amongst the Lenders, means pro rata in accordance with their respective portion of the total outstanding Indebtedness at the applicable time.

5.2 **Expenses.** The Borrower shall pay the reasonable legal fees, professional fees, disbursements and out of pocket costs (including any applicable taxes thereon) incurred by or for the account of the Lenders in connection with the costs incurred in connection with the preparing, negotiating and registering the GSA, including further assurances, financing statements, financing change statements, discharges and amendments.

5.3 **Governing Law.** This Agreement (and any transactions, documents, instruments or other agreements contemplated in this Agreement) shall be construed and governed exclusively by the laws in force in British Columbia and the laws of Canada applicable therein, and the courts of British Columbia (and Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. The undersigned irrevocably attorn to the jurisdiction of said courts and consent to the commencement of proceedings in such courts. This provision shall not be construed to affect the rights of any party to enforce a judgment or award outside said province, including the right to record and enforce a judgment or award in any other jurisdiction.

5.4 **Severability.** If any provision of this Agreement is determined to be invalid or unenforceable by a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed herefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable.

5.5 **Notices.** Any notice or other writing required or permitted to be given hereunder or for the purposes hereof to the Borrower or the Lenders shall be sufficiently given if delivered personally, or if sent by prepaid courier to the addresses indicated in this Agreement, or at such other address or addresses as the party to whom such notice or other writing is to be given shall have last notified the party giving the same in the manner provided in this Section 5.5; with a copy, in the case of any notice to any Lender, to the attention of such Lender and, in the case of any notice to the Borrower, to the attention of the Borrower, Unit 115, 19 Dallas Rd., Victoria, BC V8V 5A6. Any notice or other writing delivered personally or by prepaid courier to the party to whom it is addressed as hereinbefore provided shall be deemed to have been given and received on the day it is so delivered at such address; provided that if such day is not a business day, then such notice or other writing shall be deemed to have been given and received on the next business day.

5.6 **Interpretation.** In this Agreement, Sections, Subsections, Paragraphs and Subparagraphs may be referred to by use of the term "**Section**" followed by a numerical and alphabetical reference without further description. Words (including defined terms) using or importing the singular number include the plural and vice versa and words importing one gender only shall include all genders and words importing persons in this Agreement shall include individuals, partnerships, corporations and any other entities, legal or otherwise.

5.7 **Schedules.** The schedules attached to this Agreement shall form part of this Agreement and any reference to a "**Schedule**" herein shall be to a Schedule attached hereto, unless otherwise indicated.

5.8 **Counterparts.** This Agreement may be executed in several counterparts, including by electronic means, each of which when executed shall be deemed to be an original and such counterparts together shall be but one and the same instrument.

5.9 **Time of the Essence.** Time shall be of the essence of this Agreement.

5.10 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, personal representatives, executors, successors and assigns.

5.11 *Transfer and Assignment.* The Debentures as well as each Lender’s rights and obligations under this Agreement are not transferable or assignable by any Lender except to legal entities controlled, directly or indirectly by, or under common control with, that Lender (“**Controlled Entity**”) and provided that such Controlled Entity enters into an agreement under which it becomes party to and bound by this Agreement as a Lender or as approved by the Borrower.

5.12 *Criminal Code Compliance.* In this Section 5.12 the terms “**interest**”, “**criminal rate**” and “**credit advanced**” have the meanings ascribed to them in section 347 of the *Criminal Code* (Canada) as amended from time to time. The Borrower and the Lenders agree that, notwithstanding any agreement to the contrary, no interest on the credit advanced by the Lenders under this Agreement will be payable in excess of that permitted under the laws of Canada. If the effective rate of interest, calculated in accordance with generally accepted actuarial practices and principles, would exceed the criminal rate on the credit advanced, then:

- (a) the elements of return which fall within the term “**interest**” shall be reduced to the extent necessary to eliminate such excess;
- (b) any remaining excess that has been paid will be credited towards prepayment of Principal; and
- (c) any overpayment that may remain after such crediting will be returned forthwith to the Borrower upon demand;

and, in the event of dispute, a Fellow of the Canadian Institute of Actuaries appointed by the Lenders shall perform the relevant calculations and determine the reductions, modifications and credits necessary to effect the foregoing and the same will be conclusive and binding on the parties. The Transaction Documents shall automatically be modified to reflect such modifications without the necessity of any further act or deed of the Lenders and the Borrower to give effect to them.

5.13 *Independent Legal Advice.* Each of the parties to this Agreement acknowledges and agrees that Fasken Martineau DuMoulin LLP has acted as counsel only to the Borrower and that Fasken Martineau DuMoulin LLP is not protecting the rights and interests of any other party to this Agreement. The parties to this Agreement acknowledge and agree that the Borrower and Fasken Martineau DuMoulin LLP have given them the opportunity to seek, and have recommended that such parties obtain, independent legal advice with respect to the subject matter of this Agreement and the other Transaction Documents and, further, each of the parties hereby represents and warrants to the Borrower and Fasken Martineau DuMoulin LLP that such party has sought independent legal advice or hereby waives such advice.

5.14 *Further Acts.* Each of the parties to this Agreement shall at the request of any other party, and at the expense of the Borrower, execute and deliver any further documents and do all acts and things as that party may reasonably require in order to carry out the true intent and meaning of this Agreement.

5.15 *Entire Agreement.* The Transaction Documents constitute the entire agreement between the parties to this Agreement with respect to the subject matter thereof and supersede all prior

negotiations, proposals and agreements, whether oral or written, with respect to the subject matter thereof. In the event of any conflict between any of the other Transaction Documents and this Agreement, the terms of this Agreement shall prevail.

5.16 *Nature of this Agreement.* This Agreement is intended by the parties to supersede and replace the February Loan Agreement in its entirety effective from and after the date hereof and shall take precedence over the provisions of the February Loan Agreement effective from the date hereof. Notwithstanding the foregoing, the Borrower acknowledges that any advances made by the Lenders prior to the date hereof shall be deemed to constitute advances as part of the Principal for the purposes hereof and shall be secured by the GSA.

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

IN WITNESS WHEREOF the parties have signed, sealed and delivered this agreement as of the date first written above.

CONTECH ENTERPRISES INC.

By:

Authorized Signatory

PAUL HOOPER

MARIANNE HOOPER

SADLER FARMS LTD.

DENMAN ISLAND CHOCOLATE LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

BC ADVANTAGE FUND (VCC) LTD.

ST. PATRICK HOLDINGS LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

ECL HOLDINGS LTD.

MINZAR HOLDINGS LTD.

Per: _____
Authorized Signatory

Per: _____
Authorized Signatory

SCHEDULE 1

Form of Secured Convertible Debenture

(See attached)

SECURED CONVERTIBLE DEBENTURE

AMOUNT: CDNS<@>.00

DATE OF ISSUE: March <@>, 2014

FOR VALUE RECEIVED, CONTECH ENTERPRISES INC. (the "Company") promises to pay to or to the order of <@> (the "Holder") the principal sum of \$<@> in lawful currency of Canada (the "Principal Sum"). [The Principal Sum shall not bear interest/ The Principal Sum shall bear interest at a rate of six percent 6% per annum].

1. **Interest** – Accrued and unpaid interest shall be payable by the Company to the Holder monthly in arrears.]
2. **Automatic Conversion** – The Principal Sum shall convert into Common shares in the capital of the Company (the "Shares") at at [CDNS\$0.0314 / CDNS\$0.0325] per share (the "Conversion Price") (i) at any time prior to the Conversion Date and with receipt by the Company of the Holder's written election to convert, or if applicable, (ii) shall automatically convert into Shares on September <@>, 2015 (the "Conversion Date") at the Conversion Price.
3. **No Repayment by Company** – The Company shall not be entitled to repay the Principal Sum or any portion thereof prior to or on the Conversion Date.
4. **Repayment Upon Default** – The Principal Sum [and all accrued and unpaid interest thereon] shall be immediately due and payable to the Holder only upon the occurrence of an Event of Default (as that term is defined in the GSA (as defined below).
5. **Issuance of Replacement Debenture** - The Company hereby covenants and agrees with the Holder that if this Debenture becomes mutilated, lost, destroyed or stolen, the Company shall, upon receipt of a declaration of loss from the Holder in a form satisfactory to the Company, issue and deliver to the Holder a new secured convertible debenture of like date and tenor as the one mutilated, lost, destroyed or stolen, in exchange for and in place of and upon cancellation of such mutilated, lost, destroyed or stolen Debenture.
6. **Company's Waiver** - The Company hereby waives demand and presentment for payment, notice of non-payment, protest and notice of protest of this Debenture.
7. **Security and Subordination** - This Debenture is secured by a general security agreement granted by the Company (the "GSA") in favour of the Holder and certain other lenders and registered by way of a financing statement in the British Columbia Personal Property Registry under base registration no. 808752H.
8. **Transferability** - This Debenture is not transferable except with the express written approval of the Company.
9. **Governing Law** - This Debenture (and any transactions, documents, instruments or other agreements contemplated in this Debenture) shall be construed and governed exclusively by the laws in force in British Columbia and the laws of Canada applicable therein, and the courts of British Columbia (and Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder.

IN WITNESS WHEREOF the Company has caused its respective duly authorized signatory to execute and deliver this Debenture to the Holder as of the day and year first above written.

CONTECH ENTERPRISES INC.

Per: _____

Authorized Signatory

SCHEDULE 2

Prior Security Interests

British Columbia Personal Property Registrations:

	Base Number	Creditor	Collateral
1.	6182140 ¹	Business Development Bank of Canada Lgl Dept PO Box 6 505 Burrard Vancouver BC V7X 1M3	All present and after acquired personal property of the Debtor and without limitation crops, licences and fixtures. All of the Debtor's contractual rights, licenses and all other choses in action of every kind which now are of which may at any time be due or owing to or owned by the debtor and all other intangible property of the debtor that is not accounts, chattel paper, instrument documents of title, intellectual property, securities or money.
2.	803192E ²	Business Development Bank of Canada 990 Fort Street Victoria BC V8V 3K2	All present and after acquired personal property of the Debtor and without limitation, all crops, fixtures and licences.
3.	259740G	HSBC Bank Canada #100 – 771 Vernon Avenue Victoria, BC V8X 5A7	All present and after acquired personal property and a floating charge on all present and after acquired real property.
4.	508533G	K'(Prime) Technologies Inc. 105, 90 Freeport Blvd NE Calgary, AB T4B 2S9 The Toronto-Dominion Bank 340 – 5th Avenue SW Calgary, AB T2P 0C3	General Collateral: Lease # BC-CI-10012011-QU.2011.0283 REV1 1 KP-G1088A 5973N GC-MSD TURBO PUMP SYSTEM S/N US1091548 1 CHEMSTATION S/N FX629-2227F-QE96-N82N8 1 PC S/N CAC81500NB 1 MONITOR S/N 3CQ9180HRG 1 KP-G1530A 6890 PLUS GC SYSTEM S/N US00033289 1 KP-G2913A 7683 ALS INJECTION TOWER S/N CN81648670 1 KP-G2614A 7683 SAMPLE TRAY S/N CN22721189

¹ Subordination Agreement in favour of HSBC Bank Canada Security Agreement registered July 20, 2011 as base registration number 259740G.

² Ibid.

	Base Number	Creditor	Collateral
5.	087855H	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERETO AND THEREOF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.
6.	164555H	Roynat Inc. Suite 1500, 4710 Kingsway St. Burnaby, BC V5H 4M2	SERVER(S), LICENSE(S), TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL.
7.	184350H	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERETO AND THEREOF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

	Base Number	Creditor	Collateral
8.	195617H	First West Credit Union 6470 201 St Langley, BC V2Y 2X4	ALL OF THE PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTORS AND EACH OF THEM INCLUDING WITHOUT LIMITATION FIXTURES AND CROPS, AND AN UNCRYSTALLIZED FLOATING CHARGE ON LAND (AND TERMS USED HEREIN THAT ARE DEFINED IN THE PERSONAL PROPERTY SECURITY ACT OF BRITISH COLUMBIA OR THE REGULATIONS MADE THEREUNDER HAVE THOSE DEFINED MEANINGS).
9.	324719H	Roynat Inc. Suite 1500, 4710 Kingsway St. Burnaby, BC V5H 4M2	LICENSE (S) TOGETHER WITH ALL ATTACHMENTS ACCESSORIES ACCESSIONS REPLACEMENTS SUBSTITUTIONS ADDITIONS AND IMPROVEMENTS THERETO AND ALL PROCEEDS IN ANY FORM DERIVED DIRECTLY OR INDIRECTLY FROM ANY SALE AND OR DEALINGS WITH THE COLLATERAL AND A RIGHT TO AN INSURANCE PAYMENT OR OTHER PAYMENT THAT INDEMNIFIES OR COMPENSATES FOR LOSS OR DAMAGE TO THE COLLATERAL OR PROCEEDS OF THE COLLATERAL
10.	790992H	Dell Financial Services Canada Limited 155 Gordon Baker Road, Ste 501 North York, ON M2H 3N5	ALL DELL AND NON DELL COMPUTER EQUIPMENT AND PERIPHERALS WHEREVER LOCATED HERETOFORE OR HEREAFTER LEASED TO DEBTOR BY SECURED PARTY PURSUANT TO AN EQUIPMENT LEASE TOGETHER WITH ALL SUBSTITUTIONS, ADDITIONS, ACCESSIONS AND REPLACEMENTS THERETO AND THEREOF NOW AND HEREAFTER INSTALLED IN, AFFIXED TO, OR USED IN CONJUNCTION WITH SUCH EQUIPMENT AND PROCEEDS THEREOF TOGETHER WITH ALL RENTAL OR INSTALLMENT PAYMENTS, INSURANCE PROCEEDS, OTHER PROCEEDS AND PAYMENTS DUE OR TO BECOME DUE AND ARISING FROM OR RELATING TO SUCH EQUIPMENT. PROCEEDS: ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY.

SCHEDULE 3

List of Original Lenders and Advances

Paul Hooper	CDN\$50,000
Marianne Hooper	CDN\$50,000
Sadler Farms Ltd.	CDN\$100,000
Denman Chocolate Ltd.	CDN\$500,000
BC Advantage Fund (VCC) Ltd.	CDN\$1,000,000
St. Patrick Holdings Ltd.	CDN\$166,666.66
Minzar Holdings Ltd.	CDN\$166,666.66
ECL Holdings Ltd.	CDN\$166,666.66

SCHEDULE 4

ACKNOWLEDGEMENT AND AGREEMENT TO BE BOUND

THIS ACKNOWLEDGEMENT AND AGREEMENT is given on the ____ day of _____, 20 __, by _____ of _____.

Reference is made to Amended and Restated Loan Agreement made as of the 7th day of March, 2014 (the "Loan Agreement") among Contech Enterprises Inc. (the "Corporation"), the Original Lenders and the Additional Lenders. Defined terms used herein but not defined shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned, being an Additional Lender, does hereby acknowledge and accept the terms of the Loan Agreement and agrees (a) to be bound by all of the terms and conditions of the Loan Agreement and (b) to honour, abide by and perform all of the obligations of the Loan Agreement as if the undersigned had executed the Loan Agreement itself.

WITNESSED BY:)
)
)
_____))
(Signature))
)
_____))
(Name of Witness))
)
_____))
(Address))

_____))
(Signature of Shareholder or authorized signatory of Shareholder)
_____))
(Name of Shareholder)

SCHEDULE 5

OUTSTANDING DEBT

Month Ended January 2014

<u>LIABILITIES & SHAREHOLDERS EQUITY</u>	
2,569	Accts Payable
1,338	Short Term Debt (LoC)
929	Short-term Debenture
500	Convertible Debenture
687	Current Portion Vendor Notes
155	Current Portion - FWC
229	Current Portion LT Debt - Other
<u>1,224</u>	Other Current Liabilities
<u>7,631</u>	Total Current Liabilities
496	Shareholder Loans
1,652	LT Debenture
1,108	LT Portion, Vendor Notes
1,295	LT Portion - FWC
572	L/T Debt - Other
128	Contingent Share Consideration
1,280	Redeemable Debenture