

**ONTARIO
SUPERIOR COURT OF JUSTICE**

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

– AND –

**IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, C. C-43**

– AND –

**IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.**

**CASE CONFERENCE BRIEF
(Case Conference returnable July 10, 2024)**

Date: July 4, 2024

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Court Appointed Monitor of the Applicant

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Title	Page
Overview.....	1
Terms of Reference.....	3
Steps Taken to Distribute the Funds.....	4
Options to Address the Remaining Amounts Owning.....	6
<i>Red Cross Precedent</i>	7
<i>Crocus Investment Fund</i>	9
The Monitor's Preferred Option.....	10
Ancillary Issues for the Discharge Hearing.....	13
List of Appendices.....	16

Court File No.: 97-CV-2522

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OVERVIEW

1. On July 25, 1997, the applicants Gandalf Technologies Inc. (“**GTI**”) and Gandalf Canada Ltd. (“**GCL**”) (collectively, the “**Companies**” or “**Applicants**”) were granted an order pursuant to the provisions of the CCAA (the “**Initial Order**”) by the Ontario Superior Court of Justice (formerly, the Ontario Court of Justice (General Division)) (the “**Court**”). Deloitte Restructuring Inc. (formerly operating as Deloitte & Touche Inc.) (“**Deloitte**”) was appointed as Monitor of the Companies (the “**Monitor**”). A copy of the Initial Order is attached as **Appendix A**.

2. Subsequent to the granting of the Initial Order, the Monitor entered into a series of transactions, with the approval of the Court, that led to the sale of various enterprises and other assets of the Companies, the filing and approval of a plan of arrangement, and the distribution of various funds to the stakeholders.

3. The matter was not concluded at that time, and the Monitor must still finalize some items, outlined herein, to complete the file.

4. The Monitor last attended a case conference before Justice Kershman on December 8, 2020 (the “**Last Case Conference**”). The purpose of the Last Case Conference was to provide the Court a review of these CCAA proceedings, and to seek directions from the Court on the Monitor’s proposed course of action to distribute the remaining funds held in the estate of the Applicants. Pursuant to the endorsement of Justice Kershman dated December 15, 2020 (“**Justice Kershman Endorsement**”), the Court endorsed the Monitor’s proposed course of action. A copy of Justice Kershman’s Endorsement is attached as **Appendix B**.

5. Since the Last Case Conference, the Monitor has completed its contemplated course of action to distribute the final remaining funds in the estate. As will be set out below, through its efforts, it has distributed over 80% of the funds it was holding prior to the Last Case Conference. The Monitor is now at a point that, in its view, it has exhausted all reasonable efforts to complete its final distribution and there remains CDN\$667,947.01 and \$68,945.04 in the estate.

6. In compliance with the Justice Kershman Endorsement, the Monitor has scheduled this case conference to propose further options to the court as to what, in the Monitor’s view, should be done with respect to the remaining amounts being held by the estate, before bringing a motion to seek approval for its activities and a discharge.

7. This Case Conference Brief sets out:

- a. the steps the Monitor has taken to distribute the final amounts being held in the estate;

- b. options to address the remaining amounts owing;
 - c. the Monitor's preferred option; and,
 - d. ancillary issues to bring to the Court's attention before it will bring its motion to seek a discharge and approval of its activities.
8. The Monitor has appended its Case Conference Brief filed in the Last Case Conference before Justice Kershman at **Appendix C**. That Case Conference Brief sets out a thorough history and review of these CCAA proceedings, which also addresses the significant passage of time since the Initial Order.

TERMS OF REFERENCE

9. In preparing this Case Conference Brief and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Companies, discussions with management of the Companies and information from other third-party sources (collectively, the "**Information**"). The Monitor has reviewed the Information for reasonableness and internal consistency in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

10. Unless otherwise noted, all figures in this Report are:

- a. Denominated in lawful currency of the United States of America; and,
- b. Rounded to the nearest thousand dollars for presentation purposes.

STEPS TAKEN TO DISTRIBUTE THE FUNDS

11. The Applicants' records including proofs of claim were reviewed to determine the last known address of the creditors. In addition, for those employees where the Monitor had phone numbers, they were contacted to obtain updated address information.

12. Claims, excluding the Employee Retention Plan ("ERP") totaled \$11,961,000 or CDN\$16,520,000. The second distribution to creditors amounted to approximately 26 cents on the dollar. The distribution required the majority of the US funds to be transferred into the Canadian bank account for distribution purposes. Cash on hand as at June 11, 2021 just prior to the final distribution was CDN\$4,521,000 and \$253,000. The distribution to creditors, excluding the outstanding amounts for the ERP was \$195,000 and CDN\$4,400,000.

13. As noted in paragraph 29 of the December 4, 2020 Case Conference Brief, the ERP amounts outstanding were CDN\$95,292.50 and \$56,000.00.

14. Payments to creditors commenced on June 25, 2021 with the first payment being made to Innovation, Science and Economic Development Canada (ISED) in the amount of CDN\$2,111,389.29 and the second payment to IBM in the amount of CDN\$275,287.09.

15. Throughout the summer of 2021 payments were made to the creditors and as cheques were returned, additional efforts were made to locate current addresses, including using the services of

Deloitte in-house legal counsel who engaged process servers to locate former employees and trade creditors.

16. Difficulties encountered in locating trade creditors included searching for bankruptcies, locating amalgamated entities and obtaining supporting documentation regarding same before issuance of a dividend cheque. Others could not be located or in the case of one law firm creditor, which is no longer in existence, documentation including an indemnity from the law firm's former partners could not be obtained, therefore a dividend cheque in the amount of CDN\$1,155.45 was not issued.

17. For individuals, as a result of the passage of time, some have married, divorced, remarried or are deceased. As such, their surnames or locating the individuals' next of kin have proven to be roadblocks.

18. On February 3, 2022, notices were placed in the Ottawa Citizen and the national edition of the Globe and Mail requesting creditors to contact the undersigned either by phone or by email. Only two responses were received: one from an employee who had left the company years prior to the commencement of the CCAA and one from a shareholder. Attached hereto as **Appendix D** are copies of the notices posted with the Ottawa Citizen and the Globe and Mail.

19. For the US creditors and employees, outstanding distribution payments are modest with \$4,428.89 and \$56,000.00 (for the ERP) respectively for a total of \$63,829.54. There are three trade creditors and 28 ERP creditors that cannot be located.

20. For the Canadian creditors and employees, outstanding distribution payments are as follows: trade creditors CDN\$197,633.32, employee claims for severance etc. CDN\$358,264.04

and ERP CDN\$73,637.20 for a total of CDN\$629,534.56. There are 95 trade creditors, 99 employee claims, and 30 ERP creditors (of which six are also included within the 99 employees).

21. As such the total number of “missing” claimants is 249. Of the trade creditors, 70 of the trade creditors were located in Canada, 21 in the USA, 1 in France, 1 in England, 1 in Singapore, and the last is unknown. Of the Canadian trade creditors the majority are located in Ontario with the remaining in Alberta, British Columbia, Saskatchewan, and Quebec. The ERP claimants all are in Ontario, except 1 in Quebec. It is believed that the majority of the former employees are located in Ontario, but the Monitor is performing further analysis in this regard.

22. As at June 25, 2024, the cash balances are CDN\$667,947.01 and \$68,945.04 respectively.

OPTIONS TO ADDRESS THE REMAINING AMOUNTS OWING

23. The Monitor proposes to utilize the services of Deloitte legal to engage process servers for a final attempt to determine if any further creditors can be located. It is expected even after this final attempt there will be funds remaining in the Monitor’s possession, and the issue of what to do with these funds will need to be addressed.

24. The Monitor has found two similar situations whereby a Trustee or a Receiver has exhausted efforts to locate missing claimants to estate funds, and the Court has endorsed a course of action when faced with those circumstances. Both situations will be discussed below, and form the basis of alternative options from the Monitor’s preferred option.

25. As will be discussed in further detail below, based on the precedents, and the facts of this particular case, the Monitor recommends that in the case of employees that it contact provincial bodies to accept and distribute the funds to individuals who are believed to reside in those

provinces, and failing which, the funds will be paid into Court, and in the case of trade creditors Deloitte will utilize the services of internal legal counsel to distribute, and failing which, the funds will be paid into Court. The creditors, if they resurface, can then make claim to the funds paid into Court, but in the interim, the Monitor can bring a motion to be discharged of its duties in these CCAA proceedings. Ultimately, if funds remain unclaimed after a certain period of time the Monitor recommends that the unclaimed funds be given to a charity.

Red Cross Precedent

26. A similar situation has been addressed by the Court in the [Matter of a Plan of Compromise or Arrangement of the Canadian Red Cross Society](#) ("**Red Cross**")¹, a copy of which is attached hereto as **Appendix E**.

27. In that case, like in this case, there were funds remaining in the estate of the insolvent Red Cross and the Trustee had exhausted its efforts locating missing claimants (in Red Cross it was victims of the well-publicized Canadian tainted blood scandal of the 80s and 90s). The missing claimants in Red Cross, like in this case, were last known to reside or operate in various jurisdictions in the USA and Canada. It sought directions from the Court on what to do with those funds. The Court considered the following options:

- A. Distribute the unclaimed funds to known partially paid claimants (i.e., pay the unclaimed funds to other creditors in the estate that the trustee could locate) ("Option A");

¹ [Canadian Red Cross Society / La Société Canadienne de la Croix-Rouge, Re, 2012 CarswellOnt 16097](#) [Commercial List] [**"Red Cross"**]

- B. Transfer the unclaimed funds to other organizations which will make efforts to track down the missing claimants (“Option B”);
- C. A hybrid approach (i.e., mixing options A and B); or,
- D. After the exhausting options A and B, then funds are paid to a charity.

28. The Trustee in Red Cross recommended option B-being to transfer the funds to the following:

- a. The Accountant of the Superior Court of Ontario who would endeavour to obtain last known addresses from the Ontario Health Insurance Plan;
- b. The Ministre du Revenu du Quebec to use tax filing information to locate Missing Claimants;
- c. The Office of the British Columbia Unclaimed Properties which has access to the Insurance Corporation of British Columbia and Health Care databases;
- d. The Office of the Alberta Treasury Board and Finance;
- e. The Florida Department of Financial Services-Bureau of Unclaimed Property which would simply post the names of local Missing Claimants on its website;
- f. The Florida Department of Financial Services-Bureau of Unclaimed Properties which would simply post the names of local Missing Claimants on its website; and,
- g. Office of the Treasury of Virginia which publishes annually names of newly reported unclaimed property in major state newspapers.

29. In the case of Ontario and Quebec, unclaimed funds would be held indefinitely for the beneficiaries and in Alberta, unclaimed funds after 10 years would revert to the Crown.

30. The Trustee in Red Cross proposed that unclaimed funds for the remainder of the entities holding the funds would go to a charity chosen by the Trustee.

31. The Court in Red Cross expressly noted that there was “no perfect solution” in the circumstances.² Nonetheless, it found that Option A was the most appropriate way to proceed in the specific circumstances of Red Cross, as stated by Justice D.M Brown:³

Since the amount of the Unclaimed Funds is less than \$500,000, the proportionality between the costs and benefits of any possible solution becomes a most important factor. Simply put, no perfect solution exists. Under Option A, Missing Claimants who later appear to claim their entitlements will find the pot empty. However, those claimants had an obligation to inform the Claims Administration of their current contact information and they did not do so. Under Option A there would be a high degree of certainty that most of the Unclaimed Funds would end up exactly where they should—in the pockets of the victims who are members of the class. Under Option B, some Missing Claimants will likely be found, but no doubt some will not. In addition, the beneficiary-search process will take time and will be placed in the hands of third parties who are not under court supervision, as are the Trustee and the Claims Administrator.

Crocus Investment Fund

32. In another similar situation, in June 2005, the Court of Queen’s Bench of Manitoba granted a receivership order over the Crocus Investment Fund (the “**Crocus**”) appointing Deloitte as Receiver and Manager.

33. In that case, like in the current case, Deloitte spent years attempting to distribute funds to claimants, being shareholders in the Crocus case. After it had exhausted its efforts, Justice Kroft

² Red Cross, at [para 25](#).

³ Red Cross, at [para 25](#)

granted an Order on January 17, 2022, permitting all the remaining proceeds from the various distributions totaling approximately CDN\$2,600,000 and representing over 8,200 individual shareholders to be paid to the Minister of Finance for the Province of Manitoba (along with a comprehensive list of shareholders that detailed their respective entitlements). Attached hereto as **Appendix F** is a copy of the Receiver's report – the discussion of the unclaimed funds is found at page 5 of the report and the Order of Justice Kroft is found at Appendix A of the report.

34. In this instance, the Receiver had the last known addresses as well as the individual SIN numbers which were provided to the Province of Manitoba. This was the least expensive approach for the shareholders as they would not be required to hire legal counsel to obtain their funds.

35. Both Options A and B put forward in Red Cross and the course of conduct in Crocus could be possible options in this case. However, the Monitor proposes a hybrid option as set out below.

THE MONITOR'S PREFERRED OPTION

36. In determining the Monitor's preferred option going forward, it has considered the two precedent cases (Red Cross and Crocus), and perhaps more importantly, the specific facts and circumstances of the within case.

37. In the Monitor's view, the GTI, GCL and Gandalf Systems Corporation ("GSC") situation is different from that of Red Cross. Creditors filed proof of claim forms in 1997 and the first distribution for GTI and GCL occurred in 1999 and for GSC in 2001.

38. In Red Cross, Justice D.M Brown in endorsing “Option A” found it significant that the claimants had an obligation to update their information with the Trustee.⁴ In this case, although creditors should keep the Monitor apprised of their current addresses, they were not required to do so. The Monitor suspects, that through the passage of time, creditors did not remember that they had filed a claim in the CCAA proceedings. The Monitor is of the view that the funds should be held for the benefit of those entities or individuals who are entitled to the funds, and not distributed amongst the proven creditors of the CCAA (like was done in Red Cross). In short, it would be unfair to possibly penalize creditors for not updating their information when they had no obligation to do so.

39. On the other hand, the last distribution occurred in the summer of 2021, and it is conceivable that a further distribution will produce more uncashed cheques – the exact problem the Monitor is trying to solve.

40. In light of this, the Monitor proposes a similar solution like was accepted in Crocus and was proposed, and accepted by the various ministries, in Red Cross as Option B.

41. The Monitor will contact the Minister of Finance (or if the case may be other more appropriate Ministries) of the provinces for those employees that have severance, notice and ERP’s outstanding to determine if they will accept those funds to locate and distribute to the claimants. In the event that they will not, then the Monitor proposes to have the funds paid into court in Ontario with a list of the last known addresses of the creditors and the specific amounts of their entitlement (like what was done in Crocus).

⁴ Red Cross, at [para 25](#).

42. For the trade creditors, in both Canada and the USA (including the ERP), the Monitor will utilize the services of internal legal counsel to determine what additional efforts can be done. In the event that the Monitor is unable to locate certain creditors for payment of the final distribution or if certain creditors do not collect their final distribution within six months' time from the date of the return of the case conference, or another date determined by the Court, the Monitor proposes to pay the funds into Court in Ontario, along with a list of names, last known addresses and amounts owed to those creditors. The creditors can then apply to the Court to obtain their funds, if and when, they decide to lay claim to those funds.

43. In the event the funds paid into Court are not claimed after a reasonable amount of time (e.g., three years), then the Monitor will propose that any remaining funds be given to a charity of its choosing based in Ottawa to reflect that the Applicants were Ottawa based entities with many of their stakeholders being in the Ottawa region. It is the Monitor's view that the cost, time, and effort to do another distribution after funds remain unclaimed with the Court in Ontario will be disproportionately costly to the amount of distributions. A similar approach was adopted in Red Cross.⁵

44. It is the Monitor's position that the within course of action has the best chance of getting funds in the hands of creditors that are entitled to the funds. Moreover, it ought to be a streamlined and easy process in order for the funds to be paid out of Court to the creditors, or if remained unclaimed, to a charity. The Monitor acknowledges that some of the mechanics still will need to be worked out. For example, this will need to be discussed in greater detail with the Accountant

⁵ Red Cross, at para 28.

for the Superior Court of Justice, but it is anticipated that the Monitor will propose a similar method as it did in Manitoba in Crocus.

45. The Monitor acknowledges that it will need to contact the various Ministries to obtain buy-in for this proposal (including the Accountant for the Superior Court of Justice). The Monitor will also need to work out a proposal on what should happen to unclaimed funds paid into Court after a certain period of time.

46. It is the Monitor's view that if this Court endorses this proposed course of action then it will help facilitate those discussions with the affected Ministries. To be clear, the Monitor is not asking for an Order directing the various Ministries to do anything, and if that was the case, then it would bring a motion on notice.

47. The Monitor further acknowledges that a return to this Court will likely be needed for additional directions after it has contacted the various Ministries for this proposed course of action, and in the event other issues arise.

ANCILLARY ISSUES FOR THE DISCHARGE HEARING

48. As part of the Monitor's eventual discharge it will need the Court's approval of its fees and activities. The Monitor anticipates an issue to arise due to the passage of time, and namely that it will not have all lawyers' invoices to substantiate the fees.

49. Nonetheless, the Monitor does have records of the amounts incurred for its, and its counsels', fees. The total fees of the Monitor paid directly by the Company for the period August 1, 1997 to November 6, 1997 amount to CDN\$311,262.00, together with disbursements of \$21,565.13, and GST in the amount of \$23,297.04, totaling \$356,124.17.

50. The total fees of the Monitor paid from the CCAA trust accounts for the period November 3, 1997 to November 10, 2017 amount to CDN\$882,078.90, together with disbursements of \$98,009.04, GST in the amount of \$47,952.12 and harmonized sales tax in the amount of \$34,483.71, totaling \$1,062,524.27.

51. There were additional fees of \$28,258.93 were paid in November 1997.

52. The Monitor is not charging any additional fees to complete the administration of the estate. In addition, since 2021, Deloitte has paid, and will continue to pay the legal fees charged by its independent legal counsel, Blaney McMurtry LLP and those legal fees will not be paid by the estate.

53. The time spent by the Monitor is more particularly described in the Affidavit of Catherine Hristow, a Senior Vice-President of Deloitte, sworn on June 29, 2023 which will be presented to the Court when the Monitor comes back to the Court to seek its discharge.

54. The Monitor is not seeking any relief in this regard now, but thought it prudent to bring to the Court's attention now in the event the Court has any views on the best way to proceed to make for a more efficient eventual discharge hearing.

55. The Monitor no longer has a Service List in its possession and based on searches done with the Court it has not been able to find a Service List. It has not been contacted by any creditors for a significant period of time save and except for IBM and ISED (two of the largest creditors) and the other two individuals who contacted Deloitte after posting the ads in the Globe and Mail and the Ottawa Citizen. As such, Deloitte anticipates an issue as to whom should be served for the discharge hearing. The Monitor is not seeking any relief in this regard at this Case

Conference, but again, is bringing this issue to the Court's attention in the event the Court has any views on the best way to proceed to make for a more efficient eventual discharge hearing.

ALL OF WHICH IS RESPECTIVELY SUBMITTED THIS 4th DAY OF JULY, 2024.

Deloitte Restructuring Inc.

In its capacity as Monitor of
Gandalf Technologies Inc.
and not in its personal capacity

A handwritten signature in black ink, appearing to read 'Catherine Hristow', with a long horizontal flourish extending to the right.

Per:

Catherine Hristow, BBA, CPA, CMA, LIT
Senior Vice President

LIST OF APPENDICES

Appendix A – Initial Order dated July 25, 1997

Appendix B - Justice Kershman's Endorsement dated December 15, 2020

Appendix C – Case Conference Brief of Monitor dated December 4, 2020

Appendix D - Notices posted with the Ottawa Citizen and the Globe and Mail on February 3, 2022

Appendix E – [Re Canadian Red Cross Society, 2012 ONSC 7124 \(CanLii\)](#)

Appendix F - Deloitte's Report re Crocus Investment Fund dated November 8, 2023

APPENDIX A

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE) FR DAY THE 25
JUSTICE AITKEN) DAY OF JULY, 1997

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

- and -

IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O 1990, c. C-43

- and -

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.

Applicants

ORDER

THIS APPLICATION made by Gandalf Technologies Inc. ("Gandalf") and Gandalf Canada Ltd. ("GCL") (individually an "Applicant" and collectively or, where the context otherwise requires, the "Applicants") for an Order substantially in the form attached as Schedule "B" to the Notice of Application herein was heard this day, at the Court House, 161 Elgin Street, Ottawa, Ontario.

ON READING the Notice of Application, the Affidavit of Richard D. Busto sworn July 24, 1997, together with the exhibits thereto, and the consent of Deloitte & Touche Inc. as proposed Monitor of the Applicants, filed, and on hearing the submissions of counsel for the Applicants and counsel for Royal Bank of Canada ("the Bank"), and on being advised that certain of the other persons who might be interested in these proceedings were not served with the Notice of Application herein.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record herein be and it is hereby abridged and that the Notice of Application is properly returnable today and further that service thereof upon any interested party other than the persons served with the Notice of Application and Application Record is hereby dispensed with.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the *Companies' Creditors Arrangement Act* (the "CCAA") applies.

STAY OF PROCEEDINGS

3. THIS COURT ORDERS that until and including October 31, 1997 (the "Stay Termination Date") or further Order of this Court:

3.1 any and all proceedings, including, without limitation, suits, actions, extra-judicial proceedings, enforcement processes or other remedies ("Proceedings") commenced, taken or proceeded with or that may be commenced, taken or proceeded with by any of the Applicants' creditors, customers, clients, suppliers, contractors, lenders, factors, customs brokers, purchasing agents, landlords (including, without limitation, equipment lessors and lessors of real property), sub-landlords, tenants, sub-tenants, licensors, licensees, concessionaires, co-owners, co-tenants, joint venture partners, co-venturers, partners, shareholders, governments of any nation, province, state or municipality or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in Canada or elsewhere and any corporation or other entity owned or controlled by or which is the agent of any of the foregoing, or by any other person, firm, corporation or entity wherever situate

or domiciled (collectively, "Persons" and, individually, "Person"), against or in respect of the Applicants, or their directors or officers, or in respect of any property, assets and undertaking wherever located, whether held by the Applicants, in whole or in part, directly or indirectly, as principal, agent or nominee, beneficially or otherwise (the "Property"); whether pursuant to the *Bankruptcy and Insolvency Act* (the "BIA"), the *Winding Up and Restructuring Act* (the "WUA") or otherwise, are hereby stayed and suspended.

- 3.2 the right of any Person to make demand or draw under any debentures, notes, bonds, letters of credit or instruments of similar effect, issued by or on behalf of either or both of the Applicants prior to the date of this Order, to take possession of, exercise rights of garnishment, foreclose upon or otherwise realize upon or deal with any of the Property or to continue such actions or proceedings if commenced prior to the date of this Order, is hereby restrained;
- 3.3 the right of any Person (including, without limitation, any authority with jurisdiction to levy realty taxes) to commence or continue enforcement, realization or collection proceedings in respect of any encumbrance, tax, lien, security interest, charge, mortgage, guarantee, attornment of rents, hypothecation, pledge or other security held in relation to, or any trust attaching to any of the Property, including the right of any existing creditor to take any step in asserting, perfecting or registering any right or interest (including, without limitation, any right to revindication or any right to repossession or stoppage in transit of any goods supplied or shipped to the Applicants, whether taken in the Province of Quebec or elsewhere, and whether pursuant to the BIA or otherwise) is hereby restrained;
- 3.4 the right of any Person to assert, enforce or exercise any right, option or remedy available to it, including, without limitation, any right of dilution, buy-out, set-off, divestiture, pre-emptive right of purchase, option to purchase on default, forced sale,

acceleration, termination, suspension, modification, cancellation or right to revoke or terminate any qualifications, registration or lending arrangements (collectively, "Rights"), including any Rights arising under or in respect of any arrangement or agreement to which any of the Applicants is a party or in which the Applicants have an interest including, without limitation, any security agreement, mortgage, contract, letter of credit or guarantee (except as permitted by paragraphs 5, 9, 14, 15, 16, 17, 18 and 19 of this Order), partnership agreement, management agreement, lease, technology agreement, concession agreement, shareholders' agreement, joint venture agreement, operating agreement, supply agreement, distribution agreement, re-seller agreement or service agreement where such Rights arise out of, relate to or are triggered by the occurrence of any default or non-performance by the Applicants thereunder, the making of this Order or filing of these proceedings, or any allegation contained in these proceedings, including, without limitation, the right to make any demand, the right to send any notice, the right to crystallize any security interest, the right to exercise any pre-emptive first right, the right to accelerate the repayment of any outstanding indebtedness and the right to terminate, accelerate rent due under, interfere with an Applicants' quiet possession in respect of, or otherwise deal with a lease of lands or premises pursuant to which either or both of the Applicants is a tenant, is hereby restrained:

- 3.5 all Persons having arrangements or agreements, written or oral, with an Applicant, whether such Applicant is acting as principal, agent or as nominee, for the supply of goods and/or services by or to such Applicant, or to any of the Property, whether managed or held by an Applicant in whole or in part, directly or indirectly, as principal, agent or nominee, beneficially or otherwise, including, without limitation, equipment leases, licence agreements, consignment agreements, insurance contracts, concession agreements, warranty service contracts, distribution agreements, equipment financing agreements, conditional sales contracts, charge card and credit card agreements, bank and other operating accounts, management agreements,

transportation contracts, freight forwarding contracts, shipping and carrier contracts, computer software and support systems, supply contracts, maintenance and service contracts, access or sharing of premises or common facilities arrangements with respect to any of the Applicant's locations or premises, are hereby restrained from accelerating, terminating, suspending, modifying or cancelling such agreements, arrangements or supply of goods or services without the written consent of the applicable Applicant or leave of this Court. Without limiting the generality of the foregoing, all Persons are hereby restrained until further Order of this Court from discontinuing, interfering with or cutting-off any utility or required services (including telephone, facsimile or other communications services at the present numbers used by the Applicants in respect of any of the Property), the furnishing of oil, gas, water, heat or electricity, the supply of equipment, computer software, hardware support and electronic, internet, electronic mail and other data services, so long as the Applicants pay the normal prices or charges (other than deposits, stand-by fees or similar items which the Applicants shall have no obligation to pay) for such goods and services received after the date of this Order as same become due in accordance with present payment practices, or as may be hereafter negotiated from time to time, and that all such Persons shall continue to perform and observe the terms and conditions contained in any agreements entered into with an Applicant or in connection with any of the Property, as the case may be, of goods and services and from pursuing any rights or remedies arising thereunder;

- 3.6 all Persons are prohibited until further Order of this Court from terminating, cancelling, suspending, amending or withdrawing any licences, royalty arrangements, permits or approvals or rights relating to uses of product or brand names issued or granted to the Applicants or in connection with any of the Property and from pursuing any rights or remedies arising thereunder;

3.7 all Persons are restrained from exercising any right of distress, repossession, set-off or consolidation of accounts in relation to amounts due or accruing due in respect of or arising from any indebtedness or obligation of an Applicant as of the date hereof, or from retaining cheques and/or monies owing to an Applicant or to which an Applicant is entitled, or from retaining, returning or rotating goods or products, including, without limiting the generality of the foregoing, goods or products of an Applicant held by an Applicant's customers, any bailees, warehousemen, distributors, concessionaires or their agents, purchasing agents, freight carriers, delivery companies or customs brokers and agents, in relation to or by reason of amounts past due to or owing by such persons, or customs duties and charges, taxes, freight, insurance, storage or other charges paid on behalf of an Applicant prior to the date hereof for which an Applicant has not reimbursed such Person; and

3.8 the right of any holder of any loan or securities of an Applicant to convert such loan or securities to other securities or property of an Applicant, be and is hereby restrained and all persons are restrained from the registration or re-registration of any securities owned by an Applicant into the names of such Persons or their nominees, or the exercise of any voting rights attaching to any securities owned beneficially or otherwise by an Applicant.

4. THIS COURT ORDERS that no creditor of an Applicant shall be under any obligation after the date of this Order to advance or re-advance any monies or otherwise extend any credit to such Applicant except as otherwise provided in this Order.

5. THIS COURT ORDERS that, notwithstanding paragraphs 3 and 4 of this Order, any Person providing letters of credit, standby letters of credit or shipping guarantees (the "Issuing Party") at the request of an Applicant, shall be required to continue honouring letters of credit, standby letters of credit and/or shipping guarantees, issued on or before the date of this Order subject to the Issuing Party being entitled to retain bills of lading and/or shipping documents relating thereto

until paid therefor. For greater certainty, the Issuing Party shall be prohibited from terminating, suspending, modifying, determining, refusing to honour or cancelling such agreement, notwithstanding any provisions contained therein to the contrary, and the beneficiaries of such letters of credit, standby letters of credit or shipping guarantees for the supply and delivery of goods shall be entitled to draw on such letters of credit, standby letters of credit or shipping guarantees, as the case may be, in accordance with their respective terms and conditions, without the prior written consent of such Applicant or without the leave of this Court.

6. THIS COURT ORDERS that, from 8:00 a.m. (Ottawa time) on the date of this Order to the time of the granting of this Order, any act or action taken or notice given by any of the Applicants' creditors or other Persons in furtherance of their rights to commence or continue realization or to take or enforce any other step or remedy, will be deemed not to have been taken or given, as the case may be, subject to the right of such Persons to further apply to this Court in respect of such step, act, action or notice given. The foregoing shall not apply to invalidate any registration by any creditor which, during such period, effected any registrations with respect to security granted prior to the date of this Order, or which obtained third party consents in relation thereto.

7. THIS COURT ORDERS that, to the extent that any rights or obligations, or time or limitation periods relating to an Applicant or the Property may expire or terminate with the passage of time, the term of such rights, obligations or periods shall hereby be deemed to be extended by a period of time equal to the duration of the stay of proceedings effected by this Order and, in the event that an Applicant becomes bankrupt or a receiver is appointed in respect of such Applicant within the meaning of section 243(2) of the BIA, the period between the date of this Order and the day on which the stay of proceedings provided for in paragraph 3 of this Order is ended shall not be counted in determining the 30-day period referred to in Section 81.1 of the BIA, provided that this paragraph shall not be construed to extend the term of any lease that expires during the stay of proceedings.

8. THIS COURT ORDERS that all Persons having other arrangements or agreements, whether written or oral, with an Applicant, are hereby restrained from accelerating, terminating,

suspending, modifying, determining or cancelling such arrangements or agreements, notwithstanding any provisions therein contained to the contrary, without the prior written consent of such Applicant or with leave of this Court. All such Persons shall continue to perform and observe the terms, conditions and provisions contained in such agreements on their part to be performed or observed. Without limiting the generality of the foregoing, all Persons be and they are restrained until further Order of this Court from terminating, suspending, modifying, cancelling, disturbing or otherwise interfering in any way with the present or future occupation by an Applicant of any premises leased, subleased or occupied by such Applicant, and the landlords of premises leased or subleased by an Applicant are hereby specifically restrained from taking any steps to terminate any lease, sublease, occupancy or other agreement to which an Applicant is a party, whether by notice of termination or otherwise, or to terminate any ancillary agreements or arrangements, including, without limitation, leasehold improvement arrangements with an Applicant, without the prior written consent of such Applicant or leave of this Court, subject to the obligation of the Applicant to pay occupation rent for the period commencing with the date of this Order for leased premises actually occupied by an Applicant, but not arrears, in accordance with the terms of the particular lease for such premises or at the option of the Applicant in advance on the first (1st) and fifteenth (15th) day of the month in equal instalments, or as otherwise may be negotiated by such Applicant from time to time.

9. THIS COURT ORDERS that, notwithstanding any provision hereof, the Applicants shall be entitled to exercise any right of set off in respect of amounts due or accruing due in respect of or arising from any indebtedness or obligation of either Applicant after the date of this Order, and such Applicant shall be entitled to exercise any right of set-off or consolidation of accounts in respect of any amounts due or accruing due in respect of or arising from any indebtedness or obligation of such Applicant after the date of this Order, all in accordance with existing practice or contractual obligations.

OPERATIONS

10. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any province which are required to be deducted from employees' wages, including, without limitation, amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes ("Crown Priorities"); (b) amounts payable by the Applicants in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes with respect to employees; and (c) all goods and services or sales taxes payable by the Applicants or their customers in connection with the retail sale of goods and services by the Applicants to such customers.

11. THIS COURT ORDERS that after the date hereof the Applicants shall be entitled to pay all reasonable expenses incurred by the Applicants in carrying on their business after the date of this Order and carrying out the provisions of this Order, which expenses, pending any further Order of this Court, shall include, without limitation, payment of:

- 11.1 the fees and disbursements of the Monitor (as defined in paragraph 25 hereof) including the fees and disbursements, if any, on a solicitor and client basis, of counsel retained by the Monitor;
- 11.2 the fees and disbursements, on a solicitor and client basis, of counsel retained by the Applicants in respect of these proceedings and the Plan;
- 11.3 amounts to make such arrangements necessary for payment of suppliers of goods or services actually supplied, delivered or provided to an Applicant following the date of this Order;

- 11.4 all wages, salaries, employee benefits, vacation pay, and other like amounts accruing due to employees including, without limitation, the reimbursement of business expenses legitimately incurred by employees, payments to operate and fund the payroll system (including source deductions) for the Applicants and other Persons for whom the Applicants meet the payroll;
- 11.5 all expenses reasonably necessary for the preservation of the Property including, without limitation, payments on account of insurance, shipping and security;
- 11.6 all premiums on directors' and officers' liability insurance;
- 11.7 amounts required to reduce Borrowings owing to the Bank to an amount not greater than that amount which would be, from time to time, the maximum amount permitted as Borrowings based on the Margin Requirements as stipulated in the credit agreements with the Bank. Capitalized terms used in the subsection shall have the meaning ascribed to them in the credit agreements between the Applicants and the Bank.
- 11.8 any other amounts provided for by the terms of this Order.

POSSESSION OF PROPERTY

12. THIS COURT ORDERS that, subject to the terms of this Order, the Applicants shall remain in possession and control of the Property, shall carry on business in a manner consistent with the objectives of the Restructuring and shall be authorized and empowered to continue to retain and employ or terminate the agents, accountants, advisors, servants, solicitors and consultants currently in their employ and paid by an Applicant or any Person related to or affiliated with an Applicant, with liberty to retain or terminate such further agents, accountants, advisors, servants, solicitors, assistants and consultants as is reasonably necessary or desirable in the ordinary course of business or for the

purpose of the Plan or the carrying out of the terms of this Order, or otherwise subject to the approval of this Court.

RESTRUCTURING

13. THIS COURT ORDERS that the Applicants shall have the right to:

- 13.1 cease, downsize or shut down any of their operations or locations and to make provision for any consequences thereof in the Plan;
- 13.2 terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate and, to the extent not paid in the ordinary course, to make provision for any consequences thereof in the Plan;
- 13.3 abandon any lease and any ancillary agreements relating to any leased premises or part or parts thereof, on thirty (30) days notice in writing to the relevant landlord on such terms as may be agreed upon between an Applicant, the Bank and such landlord and, failing agreement, on terms the appropriate Applicant and the Bank deem appropriate and to make provision for any consequences thereof in the Plan; provided such Applicant may remain in occupation of such premises despite such termination so long as it pays occupation rent in accordance with paragraph 8 of this Order save and except that the Applicants shall be bound by the terms of the First Lease Amending Agreement dated as of the 18th day of July, 1997 by the Applicant with the Glenview Corporation;
- 13.4 proceed with an orderly liquidation of such of their Property as the Applicants deem appropriate with the prior written consent of the Bank;

- 13.5 terminate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants deem appropriate and to make provision for any consequences thereof in the Plan;

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of their respective business operations (the "Restructuring").

EMPLOYEE RETENTION PLAN

14. THIS COURT ORDERS that in order to facilitate the Restructuring, the Employee Retention Plan appended as Schedule "A" to this Order is hereby approved, and the Applicants and their affiliates shall be entitled to enter into employee retention agreements with Eligible Employees upon the specified terms and conditions all as referred to and defined in the said Employee Retention Plan. The employee retention agreements entered into pursuant to the Employee Retention Plan shall supercede any and all prior compensation, commission, bonus and/or retention bonus arrangements in place, offered or extended to any of the employees of the Applicants or their affiliates.

15. THIS COURT ORDERS that the financial obligations of the Applicants and their affiliates to Retained Employees as defined in, and arising pursuant to the Employee Retention Plan shall be secured in favour of the Retained Employees by a first ranking fixed charge, mortgage and lien which shall be held by Deloitte & Touche Inc. as Monitor in a maximum amount of U.S. \$1,551,844.00 which amount shall be reduced from time to time to an amount equal to the Total Compensation determined by the Monitor from time to time as remaining to be paid as Total Compensation pursuant to the said Employee Retention Plan, which charge mortgage and lien shall attach to such specified assets as are agreed from time to time between the Bank and the Applicants (the "Employee Retention Plan Charge").

POWER TO BORROW

16. THIS COURT ORDERS that, in order to facilitate the Restructuring, the Applicants are hereby authorized and empowered to borrow from the Bank such monies from time to time as the Applicants, the Monitor and the Bank may consider necessary or desirable, pursuant to an operating credit facility established between the Applicants and the Bank to a maximum of CDN \$1,550,000.00 on the terms and conditions as set forth in the Commitment Letter between the Applicants and the Bank dated as at July 22nd, 1997 (the "DIP Commitment Letter") appended as Schedule "B" to this Order, to fund the ongoing operations and expenditures of the Applicants and to pay such other amounts as are permitted by the terms of this Order.

17. THIS COURT ORDERS that the repayment of monies borrowed by the Applicants under the DIP Commitment Letter, together with interest, fees, charges and other amounts payable in respect thereof, shall be a primary debt obligation of the Applicants, secured in favour of the Bank as a first ranking fixed charge on the entirety of the assets and undertaking of the Applicants in priority to all liens, claims and encumbrances (except for and to the extent of the indebtedness secured pursuant to the Employee Retention Plan Charge, but including all Potential Preferred Claims) pursuant to the Security Documents in favour of the Bank, all as referred to and defined in the DIP Commitment Letter.

18. THIS COURT ORDERS that, notwithstanding (a) the pendency of these proceedings and the declarations of insolvency made herein, (b) the pendency of any petitions for Receiving Orders hereafter issued pursuant to the BIA in respect of any of the Applicants and any Receiving Orders issued pursuant to any such Petitions and, (c) the provisions of any federal or provincial statute:

- (i) the obligations of the Applicants pursuant to the DIP Commitment Letter and all documents delivered pursuant thereto constitute legal, valid and binding obligations of the Applicants enforceable against them in accordance with the terms thereof; and

- (ii) the payments made by the Applicants pursuant to the DIP Commitment Letter, whether made before, on or after the date of this Order, or at any time after the Restructuring Period, and the granting of the security in respect thereof, do not constitute fraudulent preferences or other challengeable or reviewable transactions under any applicable law.

19. THIS COURT ORDERS that the Bank shall be treated as an unaffected creditor in these proceedings to the extent of advances made under the DIP Commitment Letter and documents delivered pursuant thereto and, notwithstanding any other provision of this Order, the Bank shall have the right to:

- (i) terminate the making of advances to the Applicants in accordance with the terms of the DIP Commitment Letter; and
- (ii) apply to this Court for the appointment of a receiver and manager, or a private receiver and manager, and for the appointment of a Trustee in Bankruptcy

20. THIS COURT ORDERS that each Applicant is hereby authorized and empowered, subject to the existing rights of the Bank to:

- 20.1 borrow such additional funds as it may deem necessary on an unsecured basis;
- 20.2 grant purchase-money security interests other than in respect of inventory, provided that such purchase-money security interests are in compliance with the provisions of the *Personal Property Security Act* (Ontario), R.S.O. 1990, c.P-10, as amended (the "PPSA") and other similar provincial or federal legislation where applicable;
- 20.3 grant such security as it may deem necessary to any Bank providing new advances subsequent to the date of this Order, which security may rank ahead of any security

in existence prior to the time of the making of this Order, if the consent of the Bank is obtained and of all secured creditors having an interest in the collateral in respect of which the security is to be granted,

but nothing in this Order shall prevent any creditor from advancing further funds to the Applicants pursuant to existing lending arrangements on the security of inventory or the proceeds thereof.

PAYMENT OF CREDITORS

21. THIS COURT ORDERS that, subject to and except as provided in paragraphs 8, 10, 11 and 30 hereof and except as otherwise provided in this Order, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments, whether of principal, interest thereon or otherwise, on account of amounts owing by the Applicants to any of their creditors as of this date; and
- (b) to grant no mortgages, charges or other security upon or in respect of any of the Property other than for the specific purpose of borrowing new funds as provided in paragraphs 16, 17 and 20 hereof or as otherwise authorized pursuant to this Order.

22. THIS COURT ORDERS that all liens in favour of the Crown, federal or provincial, and all mortgages, liens, charges or security interests in favour of any Person created or granted before the date of this Order for advances made or obligations incurred prior to the date of this Order shall retain the same respective priorities, *inter se*, as if this Order had not been made.

PLAN OF ARRANGEMENT

23. THIS COURT ORDERS that the Applicants are hereby authorized and permitted to file with this Court a plan of compromise or arrangement under the CCAA (the "Plan") on or before August 31, 1997.

24. THIS COURT ORDERS that the Applicants shall, on or before September 30, 1997, summon and convene meetings between the Applicants and their respective classes of creditors under the Plan to consider and vote upon the Plan.

MONITOR

25. THIS COURT ORDERS that, until further Order of this Court, Deloitte & Touche Inc. (the "Monitor") be and it is hereby appointed as an officer of this Court to monitor the business and affairs of the Applicants with the powers and obligations hereafter set forth and that each Applicant, their shareholders, officers, directors, employees, servants, agents and representatives shall cooperate fully with the Monitor in the exercise of its power and discharge of its obligations. Without limiting the generality of the foregoing, the foregoing persons shall provide the Monitor with such access to the Applicants' books, records, assets and premises as the Monitor requires to exercise its powers and perform its obligations under this Order.

26. THIS COURT ORDERS that the Monitor shall:

- 26.1 assist the Applicants in the development of the Plan and any amendments to and the implementation of the Plan;
- 26.2 review the cashflow forecasts and operating reports that must be prepared by the Applicants and submitted to the Monitor on a bi-weekly basis or as otherwise required by the Monitor, and the Monitor shall report to the Bank on the reasonableness of the

forecasts and the reports, and any disbursements in excess of the amount forecast for such item shall be submitted by the Applicants to the Monitor for its approval

26.3 assist the Applicants with the holding and administering of any Meetings for voting on the Plan and shall act as chair at any such Meetings;

26.4 inquire into and report to creditors, at or prior to any meetings to consider the Plan, upon the financial condition and prospects of the Applicants;

26.5 be at liberty to engage legal counsel, in the event the Monitor requires independent legal advice concerning a specific issue or issues relating to the exercise of its powers and discharge of its obligations under this Order, and engage such other agents as the Monitor deems necessary respecting the exercise of its powers and performance of its obligations under this Order;

26.6 report to this Court as the Monitor deems appropriate or as this Court directs, in respect of the Plan, the Restructuring or the business of the Applicants or in respect of such other matters as may be relevant to the proceedings herein;

26.7 be at liberty to apply to the Court for directions; and

26.8 perform such other duties as are required by this Order.

27. THIS COURT ORDERS that the Monitor is authorized but not obligated to provide all interested parties, including but not limited to the affected creditors, with its report or assessment on the Plan. The Monitor shall incur no liability as a result of any report or assessment that it may make pursuant to this provision.

28. THIS COURT ORDERS that the Monitor shall provide the Applicants' creditors with information in response to reasonable requests for information made in writing by any of the creditors addressed to the Monitor. The reasonableness of any such request shall be conclusively determined by the Monitor, having regard to the time and expense that may be required to satisfy the request. The Monitor, as a condition of compliance with any such request, may require the advance payment by the creditor of the fees, costs and expenses anticipated to be incurred in complying with such request. In the case of information which the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by the Court.

29. THIS COURT ORDERS that, except as may be required in respect of the Employee Retention Plan Charge, the Monitor is not empowered to take possession of the Property of the Applicants or to manage any of the Applicants' businesses or affairs and shall not, by fulfilling its obligations hereunder, be deemed to have taken and maintained possession or control of the Property, or any part thereof, and shall not occupy any premises except in such circumstances as the Monitor deems necessary.

30. THIS COURT ORDERS that the reasonable fees and disbursements of the Monitor (including the reasonable solicitor and client fees and disbursements of any counsel retained by the Monitor) and the reasonable solicitor and client fees and disbursements of Applicants' counsel in these proceedings shall be paid by the Applicants as part of the costs of these proceedings, the Plan and the Restructuring and the Applicants are hereby authorized and directed to pay the accounts of the Monitor, Applicants' counsel and any counsel for the Monitor on a weekly basis. In addition, the Applicants are hereby authorized to pay each of the Monitor and counsel to the Applicants such retainers as may be agreed upon to be held by the Monitor and such counsel as security for payment of their fees and disbursements outstanding from time to time (including with respect to this Application), subject to any final assessment or taxation as may be ordered by this Court, in which case the remuneration of the Monitor shall be taxed on the basis of a chartered accountant and its

own client and the legal costs of the Monitor's and/or Applicants' counsel shall be taxed on the basis of a solicitor and its own client.

31. THIS COURT ORDERS that the Monitor shall not be liable for any act, omission, obligation or purchase of an Applicant or any act or omission as a result of the Monitor's appointment or the fulfilment of its duties in the carrying out of the provisions of the Order, save and except for gross negligence or wilful misconduct on its part and that no action, application or other proceeding shall be taken, made or continued against the Monitor without the leave of this Court first being obtained.

32. THIS COURT ORDERS that the appointment of the Monitor shall not constitute the Monitor to be an employer or a successor employer within the meaning of any legislation governing employment or labour standards or in respect of pensions or benefits or any other statute, regulation or rule of law or equity for any purpose whatsoever and, further, that the Monitor shall not be deemed to be an owner or in possession, control or management of the Property or of the business and affairs of an Applicant whether pursuant to any legislation enacted for the protection of the environment, health and safety or any other statute or regulation of any federal, provincial or other jurisdiction or under any rule of law or equity for any purpose whatsoever.

GENERAL TERMS

33. THIS COURT ORDERS that the Applicants be at liberty to:

33.1 serve this Order, any other orders in these proceedings, all other proceedings, the Plan, any notice of Meetings and all other notices, and to deliver any letters to creditors, information circulars, proofs of claims, proxies and disallowances of claims, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors at the addresses as last shown on the records of an Applicant and that any such service or notice by courier, personal

delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the fourth business day after mailing;

33.2 take such proceedings under the BIA or the WUA as the Applicants at any time deem appropriate; and

33.3 waive requirement for demand and notice by the Bank and consent to the appointment of a receiver and/or receiver and manager of any of the Property otherwise protected by this Order, at any time.

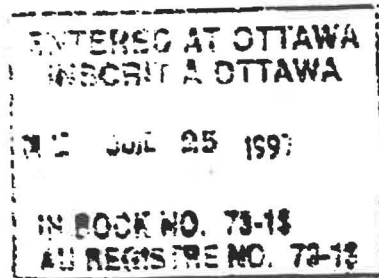
34. THIS COURT ORDERS that, notwithstanding any other provision of this Order, the Applicants may apply at any time to this Court to seek any further relief, and any interested Person may apply to this Court, to vary or rescind this Order or seek other relief on seven (7) days' notice to the Applicants, the Monitor, the Bank and to any other Person likely to be affected by the Order sought or on such other notice, if any, as this Court may Order.

35. THIS COURT ORDERS that this Order and any other Orders in these proceedings shall have full force and effect in all provinces and territories in Canada and abroad and as against all Persons against whom they may otherwise be enforceable.

36. THIS COURT ORDERS AND REQUESTS the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United Kingdom, the United States of America and the states or other subdivisions of the United Kingdom and the United States of America and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

37. THIS COURT ORDERS that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Monitor shall act and be deemed to be the foreign representative of the Applicants.

Arthur J.



SCHEDULE "A"

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the Company acting reasonably to the Retained Employee, (ii) to work for or on behalf of the Company or its assignees from the date on which the Order is granted for the next consecutive number of weeks described in the Schedule C as Duration opposite such Retained Employee's name (the "Duration Period"), and (iii) to accept as full compensation and benefits for such work during the Duration Period the amounts set forth in Schedule C as "Total pay", "Accrued vacation", "Vacation during stay period", "bonus" and "15% benefits", if any, opposite the respective Retained Employees name, the aggregate of which compensation and benefits for each Retained Employee being expressed as the "Total" in the Schedule C for the applicable Retained Employee and herein referred to as "Compensation" and the aggregate of all Compensation to all Retained Employees being referred to as Total Compensation.

4. The Compensation to each Retained Employee shall be deemed to be earned and shall be payable to the Retained Employee as follows:

- (a) weekly pay shall be pro-rated and accrued daily but paid bi-weekly;
- (b) accrued vacation and benefits will be accrued daily commencing on the Effective Date and paid to each Retained Employee at the end of the applicable Retained Employee's Duration Period, unless such Retained Employee has accepted employment with a "Successor Employer" (as hereinafter provided) who has agreed to assume liability for the same;
- (c) bonus, if any, shall be earned by applicable Retained Employee only if such person has not voluntarily left the employment of the Company or a Successor Employer or been terminated for cause as at the last day of such Retained Employee's Duration Period.

The amounts actually paid to or on behalf of a Retained Employee (including source deductions and remissions) by or on behalf of the Company or by a Successor Employer or in Further Reorganization Proceedings (each as set forth in paragraph 5 herein) shall reduce the amount guaranteed under the Plan to the applicable Retained Employee by an equivalent amount, and the amount secured by the Employee Retention Plan Charge shall be automatically reduced by an equivalent amount.

A Retained Employee (i) voluntarily leaving the employment of the Company for any reason (other than to accept employment with a Successor Employer) or (ii) who fails to accept reasonably comparable employment in the same locale offered by a Successor Employer, or (iii) terminated by the Company for cause prior to the last day of the Duration Period in respect of such Retained Employee shall be entitled to receive only the amounts set forth in subsections (a) and (b) of this section 4 which have accrued to the last day of the Retained Employees actual employment with the Company and not for the Duration Period, and not to any amount under subsection (c) of this section 4 and the

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applicable Retained Employee's Compensation shall be automatically adjusted to this amount.

5. Each Retained Employee acknowledges that the Company as part of its reorganization and/or liquidation may (i) merge or amalgamate with another entity, (ii) sell all or part of its undertaking or assets to one or more other entities and (iii) be subject to further insolvency and re-organization proceedings ("Further Reorganization Proceeding"), including such proceedings which may result in the appointment of a Trustee in Bankruptcy or a Receiver and Manager. In the event as part of any such re-organization and/or liquidation the Retained Employee is offered continuing employment by an entity acquiring all or part of the assets or undertaking of the Company ("Successor Employer") or is to continue to be employed by or on behalf of the Company in such Further Reorganization Proceeding, then the entitlement of the Retained Employee to the Compensation remaining to be paid to such Retained Employee hereunder shall be reduced by the amount so paid to the Retained Employee by the Successor Employer or by or on behalf of the Company during such Further Reorganization Proceeding for the Duration Period.
6. Nothing herein contained shall be deemed to affect the liability of the Company to the Retained Employee for severance or termination pay or other compensation ("Excluded Compensation") to which such Retained Employee may be entitled to at law on termination of such Retained Employee's employment by the Company and it is expressly acknowledged and agreed by each Retained Employee that (i) Excluded Compensation, if any, is not covered by or included in this Plan nor secured by the Employee Retention Plan Charge and (ii) any claim of a Retained Employee in respect of Excluded Compensation shall be an unsecured claim as against the Company.
7. The Monitor shall from time to time determine the then Total Compensation which remains secured by the Employee Retention Plan Charge, the aggregate of which amounts being referred to as the "Required Amount". If there is any Required Amount outstanding, in the event the Royal Bank of Canada ("Bank") provides the Monitor with a Letter of Credit as substitute security for the Required Amount, the Employee Retention Plan Charge shall be assigned to the Bank or as it may direct. In the event there is no Total Compensation remaining outstanding as the Required Amount, the Employee Retention Plan Charge will be released and discharged by the Monitor.
8. In addition to the Compensation to each Retained Employee, the Company hereby establishes an additional bonus pool ("Bonus Pool") into which a proportion of the monies received from the sale and liquidation of the Company's assets and distributed to the Company's creditors will be paid and disbursed to Bonus Pool Employees as follows:
 - (a) Each Retained Employee who has continued to be employed by the Company until the expiry of that applicable Retained Employee's Duration Period shall be a

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"Bonus Pool Employee". The Company may enter into similar Bonus Pool arrangements with certain of employees of its Affiliates in foreign jurisdictions, and reserves the right to add such other employees as Bonus Pool Employees participating in the Bonus Pool.

- (b) The Company shall cause to be deposited into the Bonus Pool from the proceeds of the sale and liquidation of the Company's assets ten (10%) percent of all monies in excess of US \$11,500,000 which are both (i) received by the Company and (ii) distributed to its Creditors prior to the end of the last Duration Period for any Retained Employee, excluding the repayment of monies owing under the Credit Facilities established by the Bank for the Company by letter of July 22, 1997.
- (c) The Bonus Pool shall be held by and administered by the Monitor, and after the Expiry of the last Duration Period for any Retained Employee, shall be paid and disbursed to Bonus Pool Employees in the following proportions:

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$$\text{Payment to Bonus Pool Employee} = \frac{\text{Total Number of Bonus Pool Employees}}{\text{Total Number of Bonus Pool Employees}}$$

- (d) The Bonus Pool and amounts payable thereunder shall not be included in Compensation and Total Compensation set forth by the Plan nor shall the Bonus Plan or amounts payable thereunder be secured by the Employee Retention Plan Charge.
9. All disputes and/or disagreements which may arise between the Company and any Retained Employee concerning this Plan and any matter arising in connection herewith shall be submitted to the Monitor for its determination, and the determination of the Monitor shall be binding and conclusive on the Company and the applicable Retained Employee.
 10. Nothing herein contained precludes the Company from continuing to employ any Retained Employee after the Duration Period, but it is expressly acknowledged and understood that neither the Plan nor the Employee Retention Plan Charge secure any continuing arrangements or monies payable in connection therewith.
 11. This Plan sets forth the entire employment agreement between each Retained Employee and the Company during the Duration Period, and supersedes and replaces all prior employment, retention and other compensation agreements or arrangements between the Retained Employee and the Company.

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12. The Employee Retention Plan shall be governed by the laws of the Province of Ontario and of Canada of application therein. The Company and each Retained Employee agree that any suit, action or proceeding arising out of or relating to the Plan shall be brought only in the Courts of the Province of Ontario and each of them irrevocably and unconditionally attorn and submit to the jurisdiction of such Court over the subject matter of any such suit, action or proceeding.

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SCHEDULE A ELIGIBLE EMPLOYEES

Department	Name	Group	Tier	Duties
C Marketing	Albany	a	1	4
C Sales	Lineman	a	1	8
C Corporate	Brown, Dick	c	2	8
C Services - Contracts	Arnold	c	1	8
C Services - Contracts	Quinn	c	1	8
C Services - Dispatch	Isard	c	1	8
C Services - IBM	Brown	c	1	8
C Services TAC	Sechert	c	1	8
C Services TAC	Brown	c	1	8
C Services TAC	Cresswell	c	1	8
C Services TAC	Dewitt	c	1	8
C Services TAC	Hill	c	1	8
C Services TAC	Lewisville	c	1	8
C Services TAC	Mayer	c	1	8
C Services TAC	Mayer	c	1	8
C Services TAC	Smith G	c	1	8
C Services	Stude	c	1	8
C Mfg - Circ	Savage	c	1	2
C Mfg - Circ	Domenich, P.	c	1	2
C Mfg - Circ	Wigham	c	1	2
C Mfg - Assembler	Cham	c	1	8
C Mfg - Assembler	Diaz	c	1	8
C Mfg - Assembler	Sprine	c	1	8
C Mfg - IT Technology	Danley	c	1	8
C Mfg - IT Technology	Cornier	c	1	8
C Mfg - IT Technology	Brown	c	1	8
C Mfg - IT Technology	Nguyen, Qy	c	1	8
C Mfg - IT Technology	Ye, Quan	c	1	8
C Mfg - IT Technology	Mann	c	1	8
C Mfg - IT Technology	Makaha	c	1	8
C Mfg - Production	Cham, JC	c	1	8
C Mfg - Production	Ong, Lee	c	1	8
C Mfg - Production	Reid	c	1	8
C Mfg - Production	Phillips	c	1	8
C Mfg - Production	Tran, My Van	c	1	8
C Mfg - Mach Operator	Trang, Helen	c	1	8
C Mfg - Purchasing	OTDissell	c	1	8
C Mfg - Repair	Mares	c	1	8
C Mfg - Shipper	Ayotte	c	1	8
C Mfg - Shipping	McGee	c	1	8
C Mfg - Test Engineer	Huckridge	c	1	8
C Mfg - Test Engineer	Nguyen, Lee	c	1	8

Gandalf Restricted and Confidential

SCHEDULE A (cont'd) ELIGIBLE EMPLOYEES

Department	Name	Group	Tier	Division
C	Mfg - Sched	Yip	1	12
C	Mfg - Expert	Alberts	1	12
C	Mfg - Production	Buchanan	2	12
C	Mfg - Purchasing	Meredith	1	12
C	Mfg - EAW Materials Delivery	Harwood	1	12
C	Mfg - Leasing	Byrds	1	12
C	Mfg - Repair	Chambers	1	12
C	Mfg - Lowercase	Caldwell	1	12
C	Mfg - Shipper	Doyall	1	8
C	Mfg	Gaston	1	8
C	Mfg - Technology	Toro	1	12
C	MIS/Admin/Techline	Kelly, Marvian	1	4
C	MIS - Area	Richards	1	8
C	MIS -	Heddlowen	1	12
C	MIS - Communications	Kinif	1	12
C	MIS - Communications	Smith	1	12
C	MIS - M27	Torrie	1	12
C	MIS - M27/Excess	Maddalena	1	12
C	MIS - MSA	Shenueen	1	12
C	MIS - Operator	St. Louis	1	12
C	Administration	Conard	1	12
C	Administration	Tuher	1	4
C	Human Resources	Seizer	1	6
C	Order entry	Mishanish	1	8
C	Corporate	Glancieri, Diana	2	12
C	Administration	Dean, Stella	1	12
C	Administration	Dalbys, Kim	1	12
C	Facilities	Barnett, Darlene	1	12
C	Human Resources	Whally	2	12
C	Order entry	Meredith	1	12
C	Finance - C/L	Almendares	1	4
C	Finance - C/L	Carnier	1	4
C	Finance - C/L	Haganen	1	4
C	Finance - A/T	Alexander, Tammy	1	8
C	Finance - A/T	Brees	1	8
C	Finance - C/L	Leahs	2	8
C	Corporate	Carden, Ann	2	12
C	Finance - A/T	Shore, Diane	1	12
C	Finance - A/T	Smith, Cheryl	1	12
C	Finance - A/T	Shaner	1	12
C	Finance - C/L	Lehman	1	12

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65

SCHEDULE A (cont'd) **ELIGIBLE EMPLOYEES**

Department	Name	Group	Thr	Duration
C Finance - C/L	Vanklase	•	1	12
C Finance - Mfg	McIntosh	•	1	12
C Finance - Payroll	Cuey	•	1	12
C Finance - Payroll	MacLennan	•	1	12
C Finance - A/R	Filler, Steve	•	1	16
C Finance - A/R	Lyns	•	1	16
C Finance - A/R	Moore	•	1	16
C Finance - C/L	Watson	•	2	16

SCHEDULE A (cont'd) ELIGIBLE EMPLOYEES

Department	Name	Group	Tier	Duration
C	Robertson	2	3	4
	Hengshen	2	3	4
	McMurry	2	3	4
C	Nakshatran	2	3	4
C	Fiori	2	3	4
C	Dowdell	2	3	4
C	Marin	2	3	4
C	Bibian-Fano	2	3	4
C	Bradbury	2	3	4
C	Delak	2	3	4
C	Dennally	2	3	4
C	Lgan	2	3	4
C	Gagnon	2	3	4
C	Ho	2	3	4
C	Kachemni	2	3	4
C	Lablanc	2	3	4
C	Loeffler	2	3	4
C	Lunge	2	3	4
C	Malsinghary	2	3	4
C	Mengraun	2	3	4
C	Parmar	2	3	4
C	Perla	2	3	4
C	Perner	2	3	4
C	Quang Le	2	3	4
C	Queball	2	3	4
C	Ruich	2	3	4
C	Smith	2	3	4
C	Sullivan	2	3	4
C	Tranmura	2	3	4
C	Ziemann	2	3	4
C	Yachua	2	3	4
C	Nguyen	2	3	4
C	Barnes	2	3	4
C	Lapensee	2	3	4
C	Dhamani	2	3	4
C	Bearden	2	3	4
C	Van Ginkel	2	3	4
C	Lang	2	3	4
C	Marshall	2	3	4

Total -CDA

SCHEDULE A (cont'd) ELIGIBLE EMPLOYEES

Department	Name	Group	Tit	Duration
US Marketing	Verpahl	c	1	8
US Service - IBM	Delforte	c	1	8
US Service - Management Communications		c	1	8
US Service - Management Smith S		c	2	8
US Service - services	Little	c	1	8
US Service TAC	Burr	a	1	8
US Service TAC	Riedemann	c	1	8
US Service TAC	D'Angelis	a	1	8
US Service TAC	Hausch	c	1	8
US Service - Management Wright		c	1	6
US Service TAC	Stein	c	1	8
US Service TAC	Vogel	c	1	8
US Corporate	Weiss, Paul	m	2	8

Total -US

**SCHEDULE B
ACKNOWLEDGMENT AND AGREEMENT**

To: Gandalf Technologies Inc.
Gandalf Canada Ltd. [applicable Company only]
Gandalf Systems Corp. (the "Company")

And to: Deloitte & Touche Inc. ("Monitor")

Re: EMPLOYEE RETENTION PLAN

I, _____, hereby confirm that I have received and read the Employee Retention Plan of the Company ("Plan"), a copy of which is attached hereto, and have consulted with such of my personal legal and other advisers which I consider to be necessary in respect to the Plan and my rights and obligations thereunder.

I certify that I am an Eligible Employee of _____ as set forth in the Plan.
name of Company

I hereby execute and deliver this Acknowledgement and Agreement and confirm that:

1. I will remain employed by the Company as a Retained Employee as set forth in the Plan;
2. All of my rights and obligations as an employee of the Company and the Company's rights and obligations in relation to me are as set out in the Plan and my Compensation is as set forth in the Schedule C to the Plan opposite my name, and
3. There is no other arrangement between the Company and me on which I am entitled to rely.

Dated _____ day of July, 1997.

Witness

Employee Signature

Print Name

Print Name

Acknowledge receipt this _____ day of July 1997

[SIGNED BY APPLICABLE COMPANY ONLY]

GANDALF TECHNOLOGIES INC.

GANDALF SYSTEMS CORP.

by: _____

by: _____

GANDALF CANADA LTD.

DELOITTE & TOUCHE INC.

by: _____

by: _____

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SCHEDULE C

Detailed Employee Retention Plan financial information for each employee has been intentionally omitted in Court filings for reasons of employee confidentiality. The total potential liability of the Company under the Employee Retention Plan, excluding the Bonus Pool in section 8, is US \$1,551,844.

SCHEDULE "B"

62



ROYAL BANK

Business Banking - Ottawa
Ottawa Centre

July 22, 1997

Gandalf Technologies Inc.
Gandalf Canada Ltd.
130 Colonnade Road South
Nepean, Ontario
K2E 7M4

Attention: Mr. R. Busto
President

Dear Sir:

Royal Bank of Canada (the "Bank") hereby offers Gandalf Technologies Inc. and its Affiliate, Gandalf Canada Ltd. (collectively the "Borrower") the following Credit Facility (the "Credit Facility"), which, upon acceptance by the Borrower and approval by the Court (as hereinafter provided) shall become binding and effective and available subject to and upon the terms and conditions set forth herein. This Credit Facility is separate from the credit facilities provided to the Borrower in our Letter Agreement of June 11, 1996 as amended by letters of November 6, 1996, November 18, 1996, February 7, 1997 and April 11, 1997 ("Existing Credit Facilities"). This Credit Facility shall be governed by the following terms and conditions:

1. **Definitions**

The definitions attached hereto in Schedule "A" are incorporated in this Agreement by reference as if set out in full herein and unless otherwise provided, all accounting terms herein shall be interpreted in accordance with GAAP.

2. **Borrower**

Gandalf Technologies Inc. and Gandalf Canada Ltd., jointly and severally.

■ **Ottawa Centre** (Transit #01196)
90 Sparks Street, 2nd Floor
Ottawa, Ont. K1P 5T6
Tel.: (613) 564-4308
Fax: (613) 564-4527 / 2827 / 2865
Toll Free: 1-800-267-0305

■ **Ottawa East** (Transit #02124)
211 Centrum Blvd.
Orleans, Ont. K1E 3X1
Tel.: (613) 830-0541
Fax: (613) 830-6728
Toll Free: 1-800-565-7801

■ **Ottawa West** (Transit #01166)
303 Moodie Drive, 5th Floor
Nepean, Ont. K2H 9R4
Tel.: (613) 721-4600
Fax: (613) 721-4610

3. CCAA Filing

The Borrower has advised the Bank that it will be filing for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") so as permit the Borrower to have the opportunity to restructure its financial affairs and operations subject to the approval of its creditors and the Court or alternatively, to liquidate its assets in an orderly manner for the benefit of its creditors. This Credit Facility is being provided for purposes of assisting the Borrower in funding its operations during the period of restructuring and/or liquidation under the CCAA as aforesaid and the availability of Borrowings under this Credit Facility is expressly conditional upon the following:

- (a) an order ("Order") of the Ontario Court of Justice (General Division) (the "Court") being entered and continuing throughout the time period of restructuring ("Restructuring Period") granting relief to the Borrower under the CCAA which Order and any amendments thereof or supplements thereto shall be satisfactory to the Bank and shall expressly authorize this Credit Facility on the terms and conditions set forth herein.
- (b) as security for all Borrowings hereunder, the Order shall specifically grant and confirm a first ranking comprehensive security interest in favour of the Bank secured by the Security Documents over all existing and after acquired property assets and undertaking of the Borrower which security interests shall rank in priority to all liens, claims and encumbrances (including all Potential Preferred Claims) against the Borrower, except for the Employee Retention Plan Charge as hereinafter referred to.
- (c) all Conditions Precedent as set forth in this Agreement shall have been satisfied or waived by the Bank as provided in this Agreement.

4. No Reliance by Third Parties

No person other than the Borrower ("Third Party") is entitled to rely upon this Agreement or any of its contents, and under no circumstances shall the Bank be liable to any Third Party for any losses, costs or damages however incurred by such Third Party in connection with this Agreement or the Borrower regardless of whether the initial Order is granted or Borrowings become available to the Borrower hereunder.

5. Credit Facility

This Credit Facility is available in the following segments as follows:

- 1. Royal Bank US Base Rate based loans in US Dollars ("RBUSBR Loans").
- 2. Royal Bank Prime based loans in Canadian Dollars ("RBP Loans").

Each use of the Credit Facility is referred to as a "Borrowing".

6. **Amount(s)**
Cdn \$1,550,000 Demand Loans.

7. **Purpose**
The Borrower shall use the Credit Facility solely for the purpose of (i) funding its operations as set forth in the Cash Flow Plan (as hereinafter provided) during the Restructuring Period, (ii) funding Required Payments under the Employee Retention Plan and (iii) not for any other purpose, unless agreed to in writing by the Bank and Borrower.

8. **Availability**
Borrowings under the Credit Facility are available on any Business Day through the Branch of Account upon satisfaction or waiver by the Bank of the Conditions Precedent. The Borrower will to the extent that it has monies available to it which have been generated from its operations or from the sale of its assets, fund its operations from such monies and not from Borrowings hereunder.

The Borrower may borrow up to the amount of the Credit Facility. All repayments of Borrowings exclusive of interest (and fees) are permanent reductions of availability of the Credit Facility and each such repayment reduces the amount available under the Credit Facility by the amount of each repayment, and the Borrower may not reborrow the amounts repaid.

9. **Repayment**
The Credit Facility is a demand facility, and the Bank may cancel any undrawn portion of the Amount at any time. All Borrowings outstanding shall be due and payable on demand by the Bank.

As provided for in the Order and as covenanted by the Borrower in this Agreement, the Borrower will forthwith apply all funds received by the Borrower from the sale or liquidation of its assets (other than those funds contemplated by the Cash Flow Plan to be retained by the Borrower and used for its operations) to repay Borrowings hereunder and Availability under the Credit Facility will be reduced by an equivalent amount.

10. **Interest Rates**

- (a) Royal Bank Prime ("RBP") plus 2%.
- (b) Royal Bank US Base Rate ("RBUSTR") plus 2%.

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11. **Calculation and Payment of Interest and Fees**

(a) **RBP Loans**

The Borrower shall pay interest on each RBP Loan in Canadian Dollars and interest on each RBUSBR Loans in US Dollars monthly in arrears on the first Business Day following the 24th of each month. Such interest will accrue and be computed daily on the daily closing balance on the basis of a year of 365 days. Any change in RBP or RBUSBR shall be effective as of the opening of business on the day such change takes place.

(b) **Commitment Fee**

The Borrower shall pay a fee to the Bank of CDN \$100,000 which shall be deemed to be earned by the Bank and shall be payable by the Borrower on September 1st, 1997. This fee is non-refundable and is to compensate the Bank for the time, effort and expense incurred by the Bank in reviewing the documentation, plans and other matters related to the Borrower and the Credit Facility which have enabled the Bank to approve the Borrower's request for this Credit Facility.

(c) **Interest Act (Canada)**

The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

12. **Time and Place of Payment**

Payments of principal, interest, fees and all other amounts payable by the Borrower pursuant to this Agreement shall be paid at the Branch of Account in immediately available funds in Canadian dollars except as otherwise herein provided. Each payment under this Agreement shall be made for value on the day such payment is due, provided that if any such day is not a Business Day such payment shall be deemed for all purposes to be due on the Business Day next following such day and all interest and other fees shall continue to accrue until payment. Interest and fees payable under this Agreement are payable both before and after any or all of default, demand and judgment.

13. **Withholding Taxes**

All payments required under the Credit Facility shall be made free and clear of and without any withholding on account of any taxes or other charges of any nature or kind whatsoever. If any such taxes or charges are required to be withheld from any payment made hereunder, the Borrower shall pay an additional amount such that the net amount received by the Bank shall be equal to the amount which would have been received if no such withholding were required to be made.

14. **Exchange Rate Fluctuations**

If, in the sole determination of the Bank, due to exchange rate fluctuations or for any other reason, the value of Borrowings outstanding under the Credit Facility, when converted to Canadian Dollars, exceeds the amount as of the 25th day of any month, the Borrower shall either repay or otherwise retire the outstanding Borrowings to the extent of the amount of such excess, or shall secure the amount of such excess in a manner which is satisfactory to the Bank.

15. **Conversion**

The Borrower may convert a Borrowing into another segment of Borrowing set forth in paragraph 5 hereof provided that no demand for payment has occurred.

16. **Evidence of Indebtedness**

The Bank shall open and maintain at the Branch of Account accounts and records evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of each Borrowing, the payment of principal and interest and all other amounts owing to the Bank.

The Bank's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank.

The Borrower authorizes and directs the Bank to automatically debit any bank account of the Borrower for all amounts payable by the Borrower to the Bank including, without limitation, the repayment of all amounts due under this Agreement and all charges for the keeping of such bank account.

This provision shall be interpreted as a separate contract between the parties, independent of all other terms of this Agreement and shall remain in full force and effect notwithstanding that this Agreement shall have otherwise ceased to have any force or effect.

17. **Increased Costs**

If, in the reasonable opinion of the Bank, the Bank is now or hereafter becomes subject to, or there is a change in:

- (a) any reserve, special deposit, deposit insurance, or similar requirement against assets of, or deposits in or for the account of, or credit extended by, or any acquisition of funds by, the Bank.
- (b) any reserve, special deposit, or similar requirement with respect to all or any of the Borrowings or the undrawn portion of all or any part of the Credit Facility.

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- (c) taxation of, or the basis of, taxation of any payments due to the Bank hereunder (except for taxes on the overall net income of the Bank) or taxation on reserves or deemed reserves with respect to all or any part of the Credit Facility.
- (d) any requirement relating to capital adequacy, or
- (e) any other condition imposed by Applicable Law or any interpretation of Applicable Law by an entity charged with the administration thereof or any other condition with which financial institutions operating in Canada are accustomed to comply or have generally complied, whether or not having the force of law.

and the result of any of the foregoing, in the sole determination of the Bank, is to increase the cost to, or to reduce any amount received or receivable by, the Bank hereunder, or to reduce the Bank's effective return hereunder to a level below that which the Bank could have otherwise achieved (using any reasonable averaging and attribution method), the Bank shall determine that amount of money which shall compensate it for such increase in cost or reduction in income or reduction in rate of return on the Bank's capital, and the Borrower shall pay to the Bank upon demand such amount in respect of such increased cost or reduction as the Bank may determine to be required to compensate the Bank. The Bank's determination of such increased costs or reduction shall be conclusive, and binding on Borrower absent manifest error.

18. **Illegality**

If the introduction of or any change in Applicable Law makes it unlawful, or prohibited for the Bank, in its sole opinion, to perform its obligations under this Agreement, the Bank may, by written notice to the Borrower, terminate its obligations under this Agreement, and the Borrower shall prepay the Borrowings immediately or at the end of such period as the Bank may agree, together with all interest and fees which have accrued to the date of payment.

19. **Conditions Precedent**

The obligation of the Bank to make available each disbursement of a Borrowing is subject to and conditional upon the following (the Conditions Precedent"):

- (i) the receipt in form and substance satisfactory to the Bank, of a duly executed copy of this Agreement.
- (ii) the receipt in form and substance satisfactory to the Bank, of a Confirmation Agreement confirming that the following documents which are now held by the Bank and the Confirmation Agreement (the "Security Documents") are also held by the Bank as security for Borrowings hereunder as well as for all other Borrowings owing to the Bank by the Borrower or either of them under the Existing Credit Facilities.

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- (a) a General Security Agreement (the "GSA") on the Bank's standard form signed by the Borrower and representing a first charge on all assets of the Borrower other than real estate and purchase money security interests ("PMSIs"), save for PMSIs over the Borrower's inventory;
- (b) a General Assignment of Debts on the Bank's standard form signed by the Borrower;
- (c) Assignments by the Borrower of all of its shares in Gandalf Systems Corporation ("GSC"), Gandalf Digital Communications Ltd. ("GDCL") and GCL;
- (d) Assignment by the Borrower of all patents, trademarks and licenses;
- (e) a General Assignment of Leases signed by the Borrower covering 130 Colonnade Rd. S. and 40 Concourse Gate, both in Nepean, Ontario;
- (f) a General Security Agreement on the Bank's standard form signed by GSC and representing a first charge on all assets of GSC other than real estate and PMSIs;
- (g) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of not less than US \$15,000,000 plus interest and fees, signed by GSC;
- (h) Assignment by GSC of all patents, trademarks and copyrights and licenses;
- (i) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of \$3,000,000 plus interest and fees signed by GCL;
- (j) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of not less than US \$15,000,000 plus interest and fees signed by GCL;
- (k) a General Security Agreement on the Bank's standard form signed by GCL and representing a first charge on all assets of GCL other than real estate and PMSIs over GCL's inventory;
- (l) section 427 Bank Act security by GCL;
- (m) a general assignment of debts on the Bank's standard form signed by GCL;
- (n) a general hypothecation signed by the Borrower with respect to any Liquid Collateral Security;
- (o) assignment of insurance policies covering inventory of GSC;
- (p) assignment of insurance policies covering inventory of GCL;
- (q) a guarantee by Gandalf Digital Communications Limited;

all of which Agreements and documents shall be in form and content satisfactory to the Bank and shall have been duly registered in all appropriate jurisdictions in order to perfect and maintain the security created by the Security Documents. and

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- (iii) the Bank and its legal counsel shall have received and approved all Court materials filed in connection with the CCAA proceedings of the Borrower and shall have approved the initial draft Order and which Order shall be issued by the Court and together with all amendments and supplements thereto, shall be satisfactory to the Bank in its sole and unfettered discretion.
- (iv) the Borrower shall have obtained the Order under the CCAA in form and substance satisfactory to the Bank and its legal counsel authorizing the within Credit Facility and the priority of the Bank's security interest for all Borrowings hereunder being secured by the security interest of the Bank under the Security Documents which shall, except for the Employee Retention Plan Charge, be a first ranking charge on such of the assets and undertaking of the Borrower and shall be satisfactory to the Bank.
- (v) other than in respect of the application by the Borrower under the CCAA, there will have been (i) no material adverse change, individually or in the aggregate, in the business, financial or other condition of Borrower except as contemplated by the Cash Flow Plan, (ii) no material adverse change in the industry in which Borrower operates, or the collateral which will be subject to the lien granted to the Bank hereunder, or in the prospects or projections of Borrower; (iii) no litigation or other proceedings have been commenced which if successful, would have a material adverse impact on Borrower, its business, or its ability to repay the loans, or which would challenge the transactions herein contemplated or under consideration, and (iv) since the date hereof, no change in loan syndication, financial or capital market conditions has occurred generally that in the Bank's judgment would materially impair the Credit Facility, the Bank's Security Documents or the Borrower's financial condition.
- (vi) the Borrower shall have delivered to the Bank a Certificate of a senior officer of the Borrower satisfactory to the Bank in the form and substance set forth in Schedule "B".
- (vii) the Borrower shall have delivered to the Bank a Certificate of Deloitte & Touche Inc., (the "Monitor") in the form and substance set forth in Schedule "C".
- (viii) the Borrower shall have delivered to the Bank and to the Monitor the Cash Flow Plan and each disbursement of Borrowings shall be strictly in accordance with the Cash Flow Plan. The Borrower may from time to time alter and amend the Cash Flow Plan with the approval of the Monitor and the Bank.

- (ix) the Borrower shall have established the Employee Retention Plan as provided for in the Court Order, and the charge ("Employee Retention Plan Charge") shall have been validly issued and perfected.
- (x) the Bank shall be satisfied with the progress made by the Borrower in its restructuring and/or in the liquidation of its assets;
- (xi) the Bank will be satisfied with the progress which the Borrower's Affiliates are making in their restructuring and/or liquidation of their assets and undertaking in their respective jurisdictions;
- (xii) such other documents and assurances as the Bank may reasonably request.

The Bank shall have the right to waive compliance with any of the Conditions Precedent in its sole and unfettered discretion, provided that the waiver by the Bank of any Condition Precedent shall be effective solely in respect of the specific disbursement being requested by the Borrower, and the waiver shall not operate as a waiver of such Condition Precedent in respect of any other disbursement being requested.

20. **Representations and Warranties of the Borrower**

The Borrower represents and warrants to the Bank, which representations and warranties are repeated as of the time of each Borrowing and are a Condition Precedent to each Borrowing and as of the time at which each payment of interest or fees is due hereunder, that:

- (a) the Borrower is a corporation validly incorporated and existing under the laws of Ontario and is duly registered or qualified to carry on business in all jurisdictions where the nature of its properties, assets or business makes such registration or qualification necessary or desirable;
- (b) the execution and delivery of this Agreement and the Security Documents have been duly authorized by all necessary actions and do not (i) violate any law, regulation or rules by which the Borrower is bound, (ii) violate any provision of its constating documents, by-laws or any unanimous shareholders' agreement to which it is subject, (iii) result in a breach of, or a default under, any agreement or instrument to which either it is a party or by which it or any of its properties or assets may be bound or affected, (iv) result in the creation of any encumbrance on any of its properties or assets, except as contemplated herein, and (v) have been approved by the Court as contemplated in this Agreement.
- (c) it is in compliance with all Applicable Laws, including, without limitation, those dealing with the environment;
- (d) the Borrower has filed all material income tax returns which were required to be filed, paid or made provision for payment of all material taxes (including interest and

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penalties) which are due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested;

- (e) no consent, approval, order, authorization, licence, exemption or designation of or by any governmental body or person is required in connection with the execution, delivery and performance of this Agreement or the Security Documents or the transactions contemplated hereby on behalf of the Borrower and no registration, qualification, designation, declaration or filing with any governmental body is necessary to enable or empower either of them to perform their respective obligations under this Agreement, except such as have been made or obtained, which are in full force and effect;
- (f) the initial Order as amended remains in full force and effect, and each of the initial and any other order amending the initial Order is satisfactory to the Bank;

The representations and warranties made in this Section shall continue in full force and effect until payment and performance of all debts, liabilities and obligations under this Agreement.

21. Covenants

Without affecting or limiting in any way the right of the Bank to terminate its commitment and demand payment of all Borrowings under the Credit Facility, the Borrower covenants and agrees with the Bank while this Agreement is in effect or any Borrowings are outstanding:

- (a) to forthwith provide to the Bank all material financial, operating and other information and reports which the Bank may in its sole discretion require;
- (b) not to do anything to effect the ranking of this debt;
- (c) to maintain its corporate existence as a validly existing corporate entity;
- (d) to provide the Bank with access to its business and records as may be required from time to time including, with limitation, its monthly, quarterly and annual financial forecasts and plans;
- (e) to insure and to keep insured with insurers acceptable to the Bank all properties customarily insured by companies carrying on similar business in similar locations against all risks, including, but not limited to business interruption, with loss payable to the Bank as loss payee;
- (f) to file all income tax returns which are to be filed from time to time, to pay or make provision for payment of all taxes (including interest and penalties) and Potential Preferred Claims which are or will become due and payable and to provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (g) to comply with all Applicable Laws including, without limitation, those dealing with the environment and to hold the Bank harmless for any costs or expenses which it incurs for any environment-related liabilities which exist now or in the future with respect to the Borrower's property;

67

- (h) not to grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights, without the prior written consent of the Bank;
- (i) not to sell, transfer, convey, lease, assign or otherwise dispose of any part of its undertaking, property, assets or rights other than inventory in the ordinary course of business and on commercially reasonable terms, without the prior written consent of the Bank;
- (j) not to change its name or merge, amalgamate, consolidate or otherwise enter into any other form of business combination with any other person without the prior written consent of the Bank, unless as a condition precedent to the closing of any such transaction all Borrowings hereunder are repaid in full;
- (k) not to make any capital expenditures without the Bank's prior written consent;
- (l) not to directly or indirectly, guarantee or otherwise provide for on a direct or indirect contingent basis, the payment of any monies or performance of any obligations by any third party, except as may be consented to in writing by the Bank from time to time;
- (m) to refrain from making investments in, or acquiring the shares of, any third party without the prior written consent of the Bank such consent not to be unreasonably withheld. This provision does not extend to existing Affiliates;
- (n) to prepare revisions to the Cash Flow Plan in conjunction with the Monitor, so that such Cash Flow Forecasts and revisions reflect the current status of the Borrower on an ongoing basis, and to provide copies thereof to the Bank and to the Monitor for their respective approval;
- (o) to update the Employee Retention Plan from time to time so as to reflect the actual status of the Borrower's Retained Employees and amounts remaining secured thereunder from time to time;
- (p) to prepare and maintain on a current basis a plan to implement its restructuring and/or liquidation ("Action Plan") and to cause the Action Plan to be updated so that it is current at all times during the Restructuring Period, and to forthwith deliver copies thereof to the Monitor and the Bank.

22. **Employee Retention Plan**

The Borrower has advised the Bank that to retain the potential to reorganize its affairs as a going concern within the CCAA and/or to retain asset value in liquidation proceedings so as to maximize the potential recovery for the Bank and its other creditors, the Borrower needs to retain certain of its employees so as to carry on its business undertaking. As provided for in the Order, the Borrower has established the Employee Retention Plan so as to retain the employees required for this purpose during the restructuring period, and the Company will grant the Employee Retention Plan Charge.

In the event that employees become entitled to payment of Required Amounts as defined in the Employee Retention Plan, which are not funded by the Borrower, the Borrower hereby irrevocably authorizes and directs the Bank to advance Borrowings for the Borrower

sufficient to fund the Required Amounts. The Bank shall have the right, but not the obligation to fund Required Amounts. All amounts disbursed by the Bank hereunder shall conclusively be deemed to be Borrowings.

23. **Expenses**

The Borrower shall pay the reasonable fees and expenses incurred by the Bank for its legal (on a solicitor and client basis) and other advisors in connection with the preparation, negotiation, documentation, operation and monitoring of the Credit Facility and the Security Documents, including the enforcement of the Bank's rights under the Credit Facility whether or not any amounts are advanced hereunder.

24. **Indemnity**

The Borrower shall indemnify the Bank from and against all losses, damages, expenses and liabilities (including legal fees on a solicitor and client basis) which the Bank sustains or incurs as a consequence of any breach by the Borrower under any of the provisions of this Agreement or of any document or instrument delivered in connection hereunder.

25. **Limit on Rate of Interest**

The Borrower shall not be obliged to pay any interest under or in connection with this Agreement to the extent such interest exceeds the effective annual rate of interest on the credit advanced hereunder that would be lawfully permitted under the Criminal Code. For purposes of this section, "interest" and "credit advanced" have the meanings ascribed to such terms in the Criminal Code, and the "effective annual rate of interest" shall be calculated in accordance with generally accepted actuarial practices and principles.

26. **Judgement Currency**

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this agreement, it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgement Currency, then such conversion shall be made at the rate of exchange prevailing on the business Day before the day on which judgment is given. For this purpose "rate of exchange" means the rate at which the Bank will, on the relevant date, sell such currency in Toronto, Ontario against the Judgment currency.

In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, the Borrower will, on the date of payment, pay such additional amounts (if any) or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount paid on such date is the amount in the Judgement Currency which, when

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converted at the rate of exchange prevailing on the date of payment, is the amount then due under this Agreement in such other currency. Any additional amount due from the Borrower under this Section will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

27. **Notices**

Any notice or demand hereunder shall be given in writing by telecopies or letter, in each case addressed to an officer of the receiving party. A telecopies communication shall be deemed received on the date of transmission provided such transmission is received prior to 5:00 p.m. on a day on which the receiving party's office is open for normal business, and otherwise on the next such day. A letter shall be deemed received when hand-delivered to the receiving party, at the address shown herein or at such other address as the receiving party may notify the other from time to time. Each party shall be bound by any notice given hereunder and entitled to act in accordance therewith, unless otherwise agreed. The addresses of the parties for the purpose hereof shall be:

to the Borrower:

Gandalf Technologies Inc./Gandalf Canada Ltd.
130 Colonnade Road South
Nepean, Ontario K2E 7M4

Attention: President
Telecopier: (613) 274-6505

cc: Osler, Hoskin & Harcourt
Suite 1500
50 O'Connor Street
Ottawa, Ontario K1P 6L2

Attention: R. Groulx
Telecopier: (613) 235-2867

to the Bank

Royal Bank of Canada
90 Sparks Street
Ottawa, Ontario K1P 5T6

Attention: Senior Manager, Advanced Technology
Telecopier: (613) 564-4527

C!

cc: Gowling, Strathy & Henderson
Suite 2600
160 Elgin Street
Ottawa, Ontario K1P 1C3

Attention: G.P. King
Telecopier: (613) 563-9869

or such other address for delivery as each party from time to time may notify the other as aforesaid.

28. **Assignment**

This Agreement shall be binding upon and enure to the benefit of the Bank and the Borrower and their respective successors and permitted assigns. The Borrower cannot assign or transfer all or any of its rights and obligations hereunder without the prior written consent of the Bank.

29. **Set-Off**

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) to which the Borrower is then beneficially entitled on any account (in any currency) at any branch or office of the Bank in or towards satisfaction of the obligations and liabilities of the Borrower due to the Bank under this Agreement. For that purpose the Bank is authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

30. **Waivers and Amendments**

No failure to exercise and no delay in exercising on the part of the Bank, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. No amendment, modification or waiver of any provision of this Agreement or consent to any departure by the Borrower from any provision of this agreement will in any event be effective unless it is in writing signed by the Borrower and the Bank, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given by the Bank.

31. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument, and any party may execute this agreement by signing any counterpart of it.

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Please acknowledge your acceptance of the above terms and conditions by signing the attached copy of this letter in the space provided below and returning it to the undersigned.

Yours truly,



Morten N. Friis
Vice-President
Business Banking - Ottawa

We acknowledge and accept the terms and conditions of this agreement on the 23 day of July, 1997.

GANDALF TECHNOLOGIES INC.

By:



Name/

Title:

RICHARD BUSTO PRESIDENT & CEO

GANDALF CANADA LTD.

By:



Name/

Title:

RICHARD BUSTO PRESIDENT & CEO

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SCHEDULE "A"

Schedule "A" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

DEFINITIONS:

"Affiliate" of a person means any person which directly or indirectly, controls or is controlled by or is under common control with such first mentioned person, and for the purposes of this definition, "control" (including with correlative meanings the terms "controlled by" and "under common control with") means the power to direct or cause the direction of the management and policies of any person, whether through the ownership of shares or by contract or otherwise, and without restricting the above, one corporate body shall be deemed to be affiliated with another corporate body if one of them is the Subsidiary of the other or both are subsidiaries of the same corporate body.

"Agreement" means collectively this Agreement and all Schedules attached hereto.

"Applicable Law" means, in respect of any person, property, transaction or event, all present or future applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, guidelines, orders and policies of any governmental body having jurisdiction.

"Branch of Account" means the Bank's branch at 90 Sparks Street, Ottawa, Ontario.

"Business Day" means a day, excluding Saturday, Sunday, and any other day which shall be in the City of Toronto, Ontario a legal holiday or a day on which banking institutions are closed and, with respect to a Libor Loan, "business Day" means a day with the foregoing characteristics which is also a day on which dealings in US Dollar deposits by and between leading banks in the London interbank market may be conducted.

"Canadian Dollars" and the symbols "Cdn\$", "C\$" and "\$" each means lawful money of Canada.

"Cash Flow Plan" means the plan forecasting the expenditure of funds by the Company which plan and revisions thereto has been approved by the Bank and the Monitor from time to time.

"Equivalent Amount" determines the amount of availability only and means on any date, the amount of Canadian Dollars required to convert from Canadian Dollars to US Dollars at the rate of 1.35 Canadian Dollars for 1.00 US\$.

The Equivalent amount will be amended by the Bank from time to time to reflect changes in the rate of exchange and such amendments will be advised to the Borrower in writing:

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SCHEDULE "A" (cont'd)

"GAAP" means generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period.

"Interest Determination Date" means, with respect to a Libor Loan, the date which is 2 Business Days prior to the first day of the Libor Interest Period applicable to such Libor Loan.

"Material Subsidiary" means any subsidiary of the Borrower now or hereinafter located in Canada, the United States, the United Kingdom, France or the Netherlands, as well as any Subsidiary of the Borrower which is identified as being a Material subsidiary by the Bank in writing to the Borrower from time to time and **"Material Subsidiaries"** means any such subsidiaries of the Borrower.

"Potential Preferred Claims" means amounts accrued or owing for wages, vacation pay, employee benefits or pensions, municipal tax, corporate tax, sales tax, Canadian goods and services tax, source deductions and remittances (including income tax, Canada Pension Plan and unemployment insurance obligations), Government royalties, purchase money security interests and any other statutory preferred claims as well as the aggregate of the next three months rent payments for each rental property of the Borrower.

"Royal Bank Prime" (in this Agreement, **"RBP"**) means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada.

"Royal Bank US Base Rate" (in this Agreement, **"RBUSBR"**) means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on US Dollar commercial loans made in Canada.

"Subsidiary" of a person means (i) any corporation of which the person and/or any one or more of its Affiliates, holds, directly or beneficially, other than by way of security only, securities to which are attached more than 50% of the votes that may be cast to elect directors of such corporation, or (ii) a corporation of which such person has through operation of law or otherwise, the ability to elect or cause the election of a majority of the directors of such corporation and **"subsidiaries"** of such person mean all such corporations.

"Term Period" means the period of time from the date of this agreement to and including the Maturity Date:

"US Dollars" and **"US\$"** each means lawful money of the United States of America in same day immediately available funds or, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due hereunder.

CA

SCHEDULE 'B'

Schedule "B" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

OFFICER'S COMPLIANCE CERTIFICATE

I, _____, of the City of _____ in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22nd, 1997, between the Borrower and Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief;
 - (a) the representations and warranties contained in the Agreement are true and correct;
 - (b) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (c) the disbursement of Borrowings requested by the Borrower in the amount of \$_____ is required by the Borrower to fund its operations in accordance with the Cash Flow Plan, and
 - (d) after the disbursement of Borrowings requested herein, the amount required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$_____.

DATED this _____ day of _____, 1997.

By: _____

By: _____

Name/
Title _____

Name/
Title: _____

CA

SCHEDULE 'C'

Schedule "C" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

MONITOR'S COMPLIANCE CERTIFICATE

I, _____, of the City of _____ in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Deloitte & Touche Inc., the Court Appointed Monitor of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22nd, 1997, between the Borrower and Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief:
 - (a) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (b) the disbursement of Borrowings requested by the Borrower in the amount of \$_____ is required by the Borrower to fund its operations and the disbursement is in accordance with the Cash Flow Plan, and
 - (c) after the disbursement of Borrowings requested herein, the amounts required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$_____.

DATED this _____ day of _____, 1997.

By: _____

Name/
Title _____

ciA

IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1985, c.C-36 and
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no.

97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

OSLER, HOSKIN & HARCOURT
Suite 1500
50 O'Connor Street
Ottawa, Ontario
K1P 6L2

Heather P. Griffiths
(613) 787-1027
(613) 235-2867

Solicitors for Applicants

F.

APPENDIX B

**ONTARIO
SUPERIOR COURT OF JUSTICE**

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

– AND –

**IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, C. C-43**

– AND –

**IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.**

CASE CONFERENCE ENDORSEMENT

1. A case conference was held on December 8, 2020.
2. The Court has reviewed the Case Conference Brief and is satisfied with the proposed approach by Deloitte as Monitor and Receiver / Manager (“Deloitte”). It is appropriate that Deloitte take the steps set out in the Brief to locate those stakeholders to whom funds are owed, and distribute the amounts remaining in its hands.
3. Following the distribution of funds, Deloitte shall then bring a motion, returnable before Kershman J., to seek approval of its activities and seek its discharge. In doing so, it shall serve everyone on the Service List, and set out in its motion record that, if anyone wishes to raise any objection with respect to the administration of the estate, they must do so by serving and filing a Notice of Objection, setting out the particulars of any such objection, with Deloitte and the court, not less than 10 days before the date scheduled for the hearing of the motion.
4. In the event that any of the monies to be distributed have not been claimed by the intended recipients before the return date of the motion referenced above, or it appears that is the case, Deloitte shall schedule a further case conference before Kershman J., in advance of the motion hearing date. At the case conference, Deloitte shall propose further options to the court as to what, in Deloitte’s view, should be done with respect to any such further amounts that may be owing, and that may be claimed, following any order that may be made discharging Deloitte from its obligations in this matter.

5. Any future motions and / or case conferences shall be take place via the Zoom platform before Kershman J.

A handwritten signature in black ink, consisting of a large, stylized 'K' followed by a horizontal line and a small flourish.

Dated: December 15, 2020

Kershman J.

APPENDIX C

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

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

– AND –

**IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, C. C-43**

– AND –

**IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.**

**CASE CONFERENCE BRIEF
(Case Conference returnable December 8, 2020)**

Date: December 4, 2020

BLANEY MCMURTRY LLP
Barristers & Solicitors
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Toronto ON M5C 3G5

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Counsel for the Applicants

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

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

– AND –

**IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O. 1990, C. C-43**

– AND –

**IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.**

Table of Contents

OVERVIEW	1
INTRODUCTION	1
PURPOSE OF REPORT	1
TERMS OF REFERENCE	2
BACKGROUND	2
INTERIM FINANCING	5
EMPLOYEE RETENTION PLAN BONUS POOL	5
PLANS OF COMPROMISE OR ARRANGEMENT	6
REALIZATIONS.....	10
CREDITORS OF GSC.....	12
INTERIM DISTRIBUTIONS TO CREDITORS	13
CLAIMS PROCESS.....	14
TIMELINE OF EVENTS IN THE CCAA PROCEEDINGS	15
FINAL DISTRIBUTION TO CREDITORS	16
UNCLAIMED FINAL DISTRIBUTIONS TO CREDITORS	16
DELOITTE'S ROLES AND ACTIVITIES	17

OVERVIEW

1. In this CCAA matter, the Monitor wishes to distribute the funds that remain in its hands, and complete the administration of the estate. The Monitor has consulted with the Office of the Superintendent of Bankruptcy and the Applicants' major creditors, and is of the view that it is appropriate to provide this update to the Court, following which the Monitor intends to take the steps indicated to distribute the remaining funds. The Monitor seeks the advice of the Court in that regard.

INTRODUCTION

2. On July 25, 1997, the applicants Gandalf Technologies Inc. ("**GTI**") and Gandalf Canada Ltd. ("**GCL**") (collectively, the "**Companies**") were granted an order pursuant to the provisions of the CCAA (the "**Initial Order**") by the Ontario Superior Court of Justice (formerly, the Ontario Court of Justice (General Division)) (the "**Court**"). Deloitte Restructuring Inc. (formerly operating as Deloitte & Touche Inc.) ("**Deloitte**") was appointed as Monitor of the Companies (the "**Monitor**"). A copy of the Initial Order is attached as **Appendix A**.

3. Subsequent to the granting of the Initial Order, the Monitor entered into a series of transactions, with the approval of the Court, that led to the sale of various enterprises and other assets of the Companies, the filing and approval of a plan of arrangement, and the distribution of various funds to the stakeholders.

4. The matter was not concluded at that time, and the Monitor must still finalize some items, outlined herein, to complete the file.

5. The Monitor's intention, subject to the Court's direction, is to proceed to complete its involvement in the matter, and then return to the Court to report on its activities, seek approval for its final activities and the professional fees incurred, including those of its legal counsel, and seek its discharge.

PURPOSE OF REPORT

6. The purpose of this report (the "**Report**") is to provide the Court and certain stakeholders with:

- a. Background information regarding the Companies;
- b. A brief history of events leading to the filing under the CCAA;

- c. A summary of the plan of arrangement or compromise of GTI (the “**GTI Plan**”);
- d. A summary of the plan of arrangement or compromise of GCL (the “**GCL Plan**”);
- e. An overview of the approval of the GTI Plan and the GCL Plan by creditors and the Court;
- f. A summary of the Monitor’s activities since the date of Initial Order, including completed realizations, interim distributions and negotiations with the creditors of Gandalf Systems Corporation;
- g. An update on the claims process undertaken by the Companies, with the assistance of the Monitor; and,
- h. A plan as to the distribution of the funds remaining in the hands of the Monitor.

TERMS OF REFERENCE

7. In preparing this Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Companies, prior discussions with management of the Companies and information obtained from other third-party sources (collectively, the “**Information**”). The Monitor has reviewed the Information for reasonableness and internal consistency in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

8. Unless otherwise noted, all figures in this Report are:
- a. Denominated in lawful currency of the United States of America; and,
 - b. Rounded to the nearest thousand dollars for presentation purposes.

BACKGROUND

9. Gandalf Technologies Inc. (“**GTI**”) was founded in 1971 in Nepean, Ontario. GTI became a public company in 1981, and was listed on both the Toronto Stock Exchange in Canada and the Nasdaq Stock Market in the United States.

10. GTI was a manufacturer, supplier and marketer of communications solutions, encompassing a wide array of products, system and network design and support services (collectively, the “**Gandalf Brand**”). In addition, GTI provided maintenance and service for its products (the “**M&S Business**”).

11. GTI was the parent company of a group of operating subsidiaries. An organizational chart is attached as **Appendix B**. GTI’s sales operations were conducted through two (2) distinct operating units:

- a. The first operating unit, comprised of the geographical regions Canada, the United States and Latin America (collectively, “**North America**”), was based in both Nepean, Canada and Boston, US; and,
- b. The second operating unit, comprising of the geographical regions outside of North America, was based in Bracknell, UK.

12. GTI operated through six (6) wholly-owned subsidiaries (collectively, the “**Subsidiaries**” and together with GTI, the “**Gandalf Group**”), as follows:

- a. Gandalf Canada Ltd. (“**GCL**”) operated in Canada. GCL manufactured the majority of the communications products sold by the Gandalf Group. GCL sold products to the other subsidiaries, which would resell them to customers in their respective markets.
- b. Gandalf Systems Corporation (“**GSC**”) operated in the US and Latin America. GSC’s operations were primarily as a distributor and M&S Business provider of Gandalf Group products.
- c. Gandalf Digital Communications Limited (“**GDCL**”) operations were based in the United Kingdom. GDCL acted as the international distribution centre for the European operations. It held inventory, performed some engineering for European standards and completed final assembly of products for distribution. GDCL sold products purchased from GCL to the other European subsidiaries and provided M&S Business to their customers.
- d. Gandalf France S.A. (“**GFR**”) operations were based in France. It continued to operate, albeit on a reduced basis, following the commencement of restructuring proceedings by GTI. GFR was later forced into bankruptcy and all its assets were liquidated.

- e. Gandalf Nederland B.V. (“**GNB**”) operations were based in the Netherlands. GNB filed for a suspension of payments in August 1997. The suspension of payments, for a specific period of time, gave GNB the opportunity to reorganize the business and defer formal bankruptcy. A liquidator sold the business as a going concern.
 - f. Gandalf International Limited (“**GIL**”) operations were based in the United Kingdom. Grant Thornton UK LLP and Deloitte & Touche Inc. were appointed joint liquidators of GIL on March 19, 1998. Following total realizations, GTI was entitled to 55% of the total funds available for the unsecured creditors.
13. Throughout the 1970s and 1980s, GTI expanded its operations into the international marketplace and established subsidiaries in the United States, United Kingdom, France and the Netherlands. The Gandalf Group eventually marketed its range of communication products and services in 75 countries.
14. In 1995, the Gandalf Group made a strategic decision to concentrate its efforts in the remote access field. Subsequent to this decision, the Gandalf Group focused its product development and marketing and distribution efforts substantially on that segment.
15. In the first quarter of fiscal 1997, the Gandalf Group changed its sales and distribution model from a primarily direct sales approach to indirect channels. Problems occurred during the implementation of this new sales distribution model, which resulted in a significant decrease in revenue.
16. Between February and July 1997, the Gandalf Group worked with its bankers, the Royal Bank of Canada (“**RBC**”), and other investors, in a broad market search to obtain a strategic partner or acquirer that would complement the Gandalf Group’s strengths and provide the additional resources required by the Gandalf Group to continue its operations. A number of potential strategic partners expressed interest, but no formal offers materialized.
17. During this time, the Gandalf Group experienced declining revenue and significant operating losses. Negative cash flows eventually led to exhausted cash and credit facilities. The RBC continued to fund the Gandalf Group even though it was in breach of certain financial covenants in its credit agreements.

18. The Gandalf Group also explored the availability of additional sources of financing which would be required to fund the operations in the short term while a strategic agreement was reached. The Gandalf Group was unable to obtain such financing.

19. After other alternatives were fully explored and exhausted, and as referenced above, GTI and GCL filed for protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 (“CCAA”).

20. Shares of GTI were suspended from trading on the Toronto Stock Exchange on August 7, 1997 and were delisted from the Nasdaq Stock Market on August 19, 1997.

INTERIM FINANCING

21. Prior to the date of the Initial Order, the Companies sought and received the support of RBC to fund ongoing operations, including employee wages. An agreement was signed by the Companies and RBC for debtor-in-possession financing for CDN \$1.5 million (the “**DIP Financing Agreement**”). A copy of the DIP Financing Agreement is attached as **Appendix C**.

22. RBC agreed to subordinate its debt to the Employee Retention Plan (discussed below) of CDN \$1.4 million to ensure all employees remaining with the Companies would be guaranteed payment of their wages.

EMPLOYEE RETENTION PLAN BONUS POOL

23. An Employee Retention Plan (the “**ERP**”) was established to provide an incentive to employees to continue working for the Companies.

24. In accordance with the terms of the ERP, the bonus pool is calculated as 10% of the net realizations from the sale and liquidation of the assets in excess of \$11.5 million for a total of \$1,113,697.

25. A total of 187 eligible employees were included in the ERP.

26. Each eligible employee was paid \$5,500 as a distribution under the ERP. The ERP payments to employees were completed as follows:

- a. The first bonus pool payment to GCL employees was paid on December 22, 1997 in the amount of \$1,500/employee.

- b. The first bonus pool payment to GSC and GDCL employees was paid on February 23, 1998 in the amount of \$1,500/employee.
- c. The second bonus pool payment to GCL, GSC and GDCL employees was paid on July 7, 1998 in the amount of \$2,000/employee.
- d. The third bonus pool payment to GCL, GSC and GDCL employees was paid on October 15, 2015 in the amount of \$2,000/employee.

27. The Monitor calculated the amount of the third bonus pool payment based on the net realizations at that time. The total amount of bonus pool payments at \$5,500 per eligible employee is \$1,028,500.

28. The Monitor has subsequently received additional realizations. However, these realizations are not the results of efforts by employees, but rather passive realizations such as interest and foreign currency translation. Since these additional realizations do not relate to the employees' efforts, the Monitor does not intend to distribute these amounts and will be asking the Court to later declare that no further amounts are owing the employees under the ERP. The potential additional amount for the bonus pool is \$1,113,697-\$1,028,500 for a total of \$85,197, or \$456 per eligible employee. A copy of the detailed calculation of the ERP, as contained in the file is attached as **Appendix D**.

29. Further a number of employees were excluded from the third bonus pool payment, because they failed to respond to the Monitor's letter requesting information that would allow the payment to be issued. While the Monitor made additional efforts to contact these individuals, it was ultimately unsuccessful. In the event that the Monitor is unable to locate these employees, the Monitor will pay the remainder of this third bonus pool payment into court with a list of names, last known addresses and amounts. Of the total \$1,028,500 ERP bonus amount, there remains \$56,000 and CDN\$95,292.50 to be paid to employees of GCL and GSC, and GDCL respectively, upon locating those employees.

30. A copy of the actual distributions to employees under the ERP is attached as **Appendix E**.

PLANS OF COMPROMISE OR ARRANGEMENT

31. The Initial Order provided that a plan of compromise or arrangement was to be filed on or before August 31, 1997.

32. The deadline for filing a plan of compromise or arrangement was extended by the Court on two separate occasions, ultimately to October 3, 1997. Copies of the two extension orders are attached as **Appendix F** and **Appendix G**, respectively.

33. On October 3, 1997, the Companies filed the GTI Plan and the GCL Plan with the Court. The Companies scheduled a meeting of creditors for November 14, 1997 (the “**Meeting of Creditors**”) to, among other things, approve the plans. A copy of the GTI Plan is attached as **Appendix H**. A copy of the GCL Plan is attached as **Appendix I**.

34. On November 7, 1997, the Court appointed Deloitte as receiver and manager of the assets, property and undertaking of GTI and GCL (the “**Property**”), with the authority and power to take control of any and all receipts and disbursements arising out of the Property, and to make payments and distributions of the net proceeds of the realization of the Property in accordance with Orders of the Court and with the Gandalf Plans (the “**Receivership Appointment Order**”). A copy of the Receivership Appointment Order is attached as **Appendix J**.

35. On November 12, 1997, the Court approved amended Plans (the “**Amendment Approval Order**”) in respect of both GTI and GCL (hereafter, “**GTI Plan**”, “**GCL Plan**” and collectively the “**Gandalf Plans**” refer to the respective plans of arrangement or compromise following the Amendment Approval Order). A copy of the Amendment Approval Order is attached as **Appendix K**.

36. The sole amendments were to include an additional class of creditors. A copy of the amendment to the GTI Plan is attached as **Appendix L**. A copy of the amendment to the GCL plan is attached as **Appendix M**.

37. The purpose of the Gandalf Plans was to allow operations of the Gandalf Group to continue while providing time to complete a sale of the M&S Business and other assets. At the same time, the Gandalf Plans were intended to provide some meaningful payment to the existing creditors.

38. The Gandalf Plans provided modifications to debts to allow the Companies to be sold and continue operations. Sale proceeds of the M&S Business and other assets would be used in the satisfaction of the various creditor claims.

39. The anticipated effect of the Gandalf Plans was to derive a greater benefit from the continued operation of the business and affairs of the Companies than would result from the immediate forced liquidation of the Companies' assets.

40. The continuation of the operations facilitated an orderly disposal of surplus assets of the Gandalf Group in order to achieve the highest return for the Companies' creditors.

41. Under the GTI Plan, the creditors of GTI were divided into six (6) classes. Net proceeds were to be distributed as follows:

a. Class I – Claims of RBC

RBC provided operating financing to the Gandalf Group and held a valid first charge security interest in the assets of GTI, GCL, GSC, and GDCL. The Gandalf Group was indebted to RBC in the amount of \$12.6 million.

RBC also provided a secured loan in the amount of \$2.3 million to GDCL, and had security over all the assets of GDCL. The Gandalf Group had guaranteed this loan with supporting security. RBC appointed PricewaterhouseCoopers (formerly, and at the time, operating as Price Waterhouse) (“PWC”) as receiver of GDCL to recover the loan to that subsidiary.

b. Class II – Claims of Other Secured Creditors

This creditor class included other secured creditors holding security, either by registration pursuant to the provisions of the *Personal Property Security Act* or by posted collateral.

Any shortfall realized on the secured claim of the other secured creditors could be claimed in Class IV – Unsecured Creditors.

c. Class II(A) – Real Property Creditor's Abandoned Premises Claim

Claims of landlords for damages resulting from either the abandonment of premises or disclaimer of a real property lease were included in this class. A claim under this class was limited to the sum of three (3) months of accelerated rent of the respective premise.

d. Class III – Claims of Employees for Severance and Termination Pay

Based on the doctrine of ‘commonality of interests’, employees were included in their own class of creditors, separate from other unsecured creditors, for the purpose of voting on the GTI Plan.

Any claims of employees for unpaid severance and termination pay were included in this class of creditors. Amounts paid under this class would be paid at the equivalent pro-rata payment rate made to creditors in Class IV – Unsecured Creditors.

e. Class IV – Unsecured Creditors

Any claims of creditors not otherwise included in any other class of creditors would be included in this class. The unsecured creditors would receive a pro-rata share of any remaining funds after the full payment of creditors in Class I, Class II and Class II(A).

f. Class V – Qualifying Debenture Holders

Each qualifying debenture holder would receive \$2.00 in full satisfaction of their claims.

42. These classes were unaffected by obligations paid to maintain the value of the business, which were composed of: 1) the ERP; and, 2) Interim Financing.

43. Under the GCL Plan, the creditors of GCL were divided into five (5) classes. The creditor classes are identical to the GTI Plan, excluding Class III – Claims of Employees for Severance and Termination Pay, which is absent from the GCL Plan.

44. At the Meeting of Creditors, creditors of all classes voted unanimously to approve the Gandalf Plans.

45. On November 21, 1997, the Court issued an order sanctioning the Gandalf Plans as approved by the GTI creditors and the GCL creditors (the “**Sanctioning Order**”). A copy of the Sanctioning Order is attached as **Appendix N**.

46. Pursuant to the Sanctioning Order, the stay of proceedings remains in full force and effect until varied by further order of the Court.

47. Pursuant to the Receivership Appointment Order, the receivership is ongoing, and Deloitte has not yet been discharged as receiver and manager of the Property.

48. Per the terms of the Gandalf Plans, full payment would only occur upon realizing on all the assets.

REALIZATIONS

49. Following the date of the Initial Order, the Companies were in negotiations with various parties interested in purchasing the Gandalf Brand, the M&S Business or specific other assets of Gandalf Group. Eventual sales resulted in realizations of \$21.1 million and CDN \$4.9 million. Major realizations are listed below:

- a. The sale of the fixed assets located in the printed circuit board facility in Nepean, Ontario (the “**Circtronics Division**”) to Greenwich Industrial Services, a United States based liquidation company, for CDN \$535,000 (the “**Greenwich Sale**”). The Greenwich Sale was approved by the Court on October 3, 1997 (the “**Greenwich Sale Approval Order**”). A copy of the Greenwich Sale Approval Order is attached as **Appendix O**.
- b. The sale of the Gandalf Brand (excluding the Circtronics Division) to Mitel Corporation for \$14.9 million (the “**Mitel Sale**”). The Mitel Sale was approved by the Court on August 7, 1997 (the “**Mitel Sale Approval Order**”). Mitel Corporation also purchased related accounts receivable for CDN \$741,000 and CDN \$428,000 as well as other equipment for CDN \$22,400. A copy of the Mitel Sale Approval Order is attached as **Appendix P**.
- c. The sale of the M&S Business took place after serious negotiations with a number of potential buyers interested either in the entire business worldwide or specific geographic markets. In the end, it was determined that selling the geographic businesses separately would maximize realizations.
- d. The M&S Business in North America was sold to DecisionOne Corporation for \$2.8 million (the “**DecisionOne Sale**”). Additionally, DecisionOne purchased accounts receivable for \$116,000 and CDN \$30,000. Rental income of CDN \$9,000 was also collected. The DecisionOne Sale was approved by the Court on October 17, 1997 (the “**DecisionOne Sale Approval Order**”). A copy of the DecisionOne Sale Approval Order is attached as **Appendix Q**.
- e. The M&S Business outside of North America was sold based on the geographical region serviced by the Subsidiaries. These sales were completed as part of the insolvency and restructuring proceedings in those respective jurisdictions, and the Companies were not entitled to the proceeds of these sales.

- f. GTI held 98,235 Common Shares in ActiveSystems Inc., which GTI sold back to Active Systems Inc. at a purchase price of \$0.30 for the aggregate amount of \$29,470.50. The sale was approved by the Court on November 12, 1997 (the “**ActiveSystems Approval Order**”). A Copy of the ActiveSystems Approval Order is attached as **Appendix R**.
- g. GTI had significant investments in the Subsidiaries. To the extent possible, GTI participated in distributions from its subsidiaries as part of the applicable insolvency and restructuring proceedings in the respective jurisdictions on a pro-rata basis with the unsecured creditors. Resulting distributions received from the Subsidiaries were as follows:
 - i. GNB was sold to Data Networks Belgium in September 1997. GTI received no distribution.
 - ii. GFR was sold to Data Networks France SARL. On October 14, 1998, GTI received a distribution of \$28,000.
 - iii. GIL was sold to Xpert Systems Ltd. On March 5, 1999, GTI received a distribution of CDN \$20,000 from Grant Thornton UK LLP.
- h. GTI had a note receivable dated May 28, 1993 in the amount of CDN \$2.0 million from Gandalf Mobile Systems Inc. (“**GMSI**”), a former subsidiary of GTI, which was due on March 31, 1998. The total proceeds realized from this note were \$1.3 million, received over two ways:
 - i. On April 30, 1998, a portion of the note receivable was converted to 2,200,000 shares of Geotek Communications Inc., valued at \$1,375,000 at the date of conversion. The sale of the Geotek Communications Inc. shares resulted in net proceeds of \$1,056,000, received on May 15, 1998.
 - ii. The outstanding portion of the promissory note was sold to MBO Kanata for the net amount of \$210,000, received on June 15, 2000.
- i. The Companies pursued several litigation matters during the course of the CCAA proceedings. Settlements from successful litigation included:
 - i. The Graphnet-Netrix litigation was settled in December 1998 for \$564,000. In accordance with the contingent fee agreement with Mr. Paul Weiss, net proceeds of \$212,000 and CDN \$16,000 were received on March 19, 1999.

- ii. Other litigation matters were settled for realizations of \$155,000 and CDN \$100,000.
 - j. On March 4, 1999, GTI sold all its rights, title and interest in the Seattle Farwest Lease Agreement to Major Enterprises Inc., resulting in net proceeds of CDN \$38,000.
 - k. Outstanding letters of credit earned \$48,000 and CDN \$43,000.
 - l. PWC realized on the assets of GDCL. On March 3, 2004, GTI received a dividend of CDN \$2.8 million from PWC.
 - m. Total interest of approximately \$593,000 and CDN \$596,00 was earned on the Deloitte trust accounts.
50. In each case, Deloitte was appointed as Receiver to complete the sale transaction and to transfer the proceeds of sales and other realizations to the Monitor, to be held in trust by the Monitor. The Monitor would then distribute all realizations in accordance with the terms of the Gandalf Plans.
51. On November 7, 1997, the Receivership Appointment Order was granted, appointing Deloitte as receiver and manager of the Property in a more general and overarching manner.

CREDITORS OF GSC

52. As the Monitor for GSC's parent company, Deloitte had an interest in addressing any outstanding GSC claims. In addition, GTI's was GSC's sole shareholder and largest creditor.
53. The most notable claims in GSC were:
- a. Some former employees of GSC filed a class action lawsuit, *Amatuzio et al v Gandalf Systems Corporation et al*, Civil Action Nos. 95 CV 4808 (JEI) and 96CV 621 (JEI) Consolidated, against GSC seeking damages in excess of US \$2.0 million (the "**Amatuzio Class Claimants**"). On March 19, 1998, the Honourable Justice Chadwick directed the Monitor to hold back certain funds in the event the class action lawsuit was successful (the "**Chadwick Order**"). A copy of the Chadwick Order is attached as **Appendix S**.
 - b. The United States Department of Justice advised the Monitor of their intent to initiate proceedings under the *False Claims Act*.
54. The Monitor advised the United States Department of Justice and the Amatuzio Class Claimants that any successful litigation against GSC would likely result in an immediate declaration

of bankruptcy by GSC in order to protect the interest of all creditors. Furthermore, GTI had significant intercompany loans with the Subsidiaries. Therefore, GTI's claim would be the most significant unsecured creditor and would, on a pro-rata distribution, receive the majority of any dividends issued to unsecured creditors.

55. The Monitor negotiated an agreement with all creditors in GSC. In exchange for GTI not making a claim against GSC and thereby not participating in any dividends made, the creditors of GSC agreed not to pursue legal action against GSC or GTI as the parent company. In doing so, the creditors of GSC would receive a higher return, since the exclusion of GTI's claim would entitle all other GSC creditors to a greater pro-rata proportion of any dividends made.

56. On May 4, 1999, the Monitor advised all creditors of the verbal settlement with the Amatuzio Class Creditors. On September 30, 1999, the Court granted an order permitting the Monitor to distribute the funds held back (the "**Amatuzio Order**"). A copy of the Amatuzio Order is attached as **Appendix T**.

57. The Companies' solicitor confirmed the settlement in a letter dated October 1, 1999.

INTERIM DISTRIBUTIONS TO CREDITORS

58. As sufficient funds were available for distribution, and authorized by the Court, the Monitor made interim distributions to the creditors. Distributions applicable to both the GTI Plan and the GCL Plan were as follows:

a. **Class I – Claims of the RBC**

RBC was repaid in full on their indebtedness from the Companies (including all interim financing under the DIP Financing Agreement), distributions being made proportionately from the net realizations of GTI, GCL and GSC, pursuant to its first-ranking security. Total distributions to RBC were of \$14.6 million and CDN \$445,000.

The loan by RBC to GDCL was paid in full by GDCL directly to RBC with remaining net proceeds of approximately \$2.8 million paid to the Monitor.

b. **Class II – Claims of Other Secured Creditors**

The claims of other secured creditors were paid using the proceeds of their underlying security interests.

The other secured creditors were repaid in full, with total distributions of CDN \$25,000.

c. Class II(A) – Real Property Creditor’s Abandoned Premises Claim

There were four (4) landlords with claims for three (3) months of accelerated rent under this class, which were all paid in full. Total distributions were \$150,000.

d. Class V – Qualifying Debenture Holders

No amounts have been paid to qualifying debenture holders.

59. Additional distributions under the GTI Plan were as follows:

a. Class III – Claims of Employees for Severance and Termination Pay

GTI employed a total of 8 persons since the date of the CCAA appointment order. On November 12, 1999, interim distributions were paid to employees for severance and termination pay in the amount of 20 cents on the dollar. A total of CDN \$61,000 was distributed.

b. Class IV – Unsecured Creditors

On November 12, 1999, interim distributions were paid to unsecured creditors in the amount of 20 cents on the dollar. A total of CDN \$858,000 was distributed.

60. Additional distributions under the GCL Plan were an interim distribution paid to unsecured creditors in the amount of 20 cents on the dollar on November 12, 1999. A total of CDN \$453,000 was distributed to employees and CDN \$1.9 million was distributed to non-employees.

61. Furthermore, there was an additional distribution to creditors of GSC on March 15, 2001. The interim distributions were paid to unsecured creditors in the amount of 20 cents on the dollar. A total of CDN \$144,000 was distributed.

62. A detailed listing of interim distributions for the different classes of creditors is attached as **Appendix U**.

CLAIMS PROCESS

63. Creditors were required to prove the existence and quantum of their claim in accordance with the provisions of the CCAA.

64. The Monitor conducted a claims process whereby all creditors were notified of the CCAA proceedings and provided an opportunity to submit a claim.

65. There have been no additional claims received after the initial distributions described earlier in this Brief which have warranted additional consideration by the Monitor.

TIMELINE OF EVENTS IN THE CCAA PROCEEDINGS

66. A summary of significant events in the CCAA proceedings to date is provided below:

Date	Description
July 25, 1997	GTI and GCL both file for protection under the CCAA. Deloitte is appointed Monitor.
August 7, 1997	Court grants an order approving the sale of Gandalf Brand to Mitel excluding the Circronics Division.
August 28, 1997	Court provides first extension of deadline to file a Plan of Arrangement or Compromise to September 19, 1997
September 19, 1997	Court provides second extension of deadline to file a Plan of Arrangement or Compromise to October 3, 1997
October 3, 1997	Companies file GTI Plan and GCL Plan Court grants an order approving the sale of the Circronics Division to Greenwich
October 17, 1997	Court grants an order approving the sale of North America M&S division to DecisionOne.
November 7, 1997	Last date for filing of Proof of Claims Deloitte appointed as Receiver and Manager of both GTI and GCL
November 12, 1997	Amendments to both the GTI Plan and the GCL Plan Court grants an order arriving amendments to the Gandalf Plans
November 14, 1997	Meetings of Creditors to consider the Gandalf Plans Creditors vote to accept Gandalf Plans
November 21, 1997	Court issues an order sanctioning the Gandalf Plans
December 22, 1997	First bonus pool payment for GCL employees
December 31, 1997	Final date to submit a Claim to Receive a Distribution under the Plan
January 30, 1998	Final date for GCL to Dispute a Claim
February 23, 1998	First bonus pool payment for GSC and GDCL employees
April 30, 1998	Converts portion of note receivable from GMSI to shares in Geotek Communications Inc.
May 15, 1998	Sold shares in Geotek Communications Inc.
July 7, 1998	Second bonus pool payment for GCL, GSC and GDCL employees
March 19, 1999	Received net proceeds from the Graphnet settlement
November 12, 1999	Initial distribution to the GTI and GCL unsecured creditors
March 15, 2001	Initial distribution to the GSC unsecured creditors
March 3, 2004	Receipt of CDN\$2.8 million from PWC
October 15, 2015	Third bonus pool payment for GCL, GSC and GDCL employees.

FINAL DISTRIBUTION TO CREDITORS

67. The remaining pool available for creditors will be \$1.7 million and CDN \$2.5 million, less the amounts owed to employees for ERP bonus, stale dated dividend cheques, and professional fees to complete the administration. Funds will be distributed on a pro-rata basis to creditors in Class III and Class IV of the GTI Plan and to creditors in Class III of the GCL Plan.

68. While the Gandalf Plans were sanctioned by the court on November 21, 1997, they instructed that final distributions would occur only upon realizing on all the assets. There were significant delays in doing so.

69. PWC realized on the assets of GDCL in late 1997. However, PWC indicated that the limitation period for claims under the ERP scheme was six (6) years starting approximately July 1997. As such, PWC would not release payment to the Receiver until the six-year limitation period had elapsed, unless the Receiver agreed to indemnify PWC from any future claims. The Receiver was not prepared to provide this indemnity to PWC.

70. PWC withheld the distribution to the Receiver until the limitation period had elapsed. On March 3, 2004, GTI received a CDN \$2,788,000 dividend from PWC.

71. Based on the realization of GTI's assets, the creditors of GTI will experience a shortfall on their liabilities. Accordingly, no distribution will be available to the shareholders.

72. Following the distribution of all funds, the Monitor will prepare a Final Statement of Receipts and Disbursements.

UNCLAIMED FINAL DISTRIBUTIONS TO CREDITORS

73. It is not disputed that there remain significant funds in the hands of the Monitor, and that those funds ought to have been distributed long ago. However, at this point, the role of the Monitor is to distribute those funds to the creditors to whom they are owed and seek to complete the administration of this estate.

74. Given the significant amount of time that has passed since the interim distribution to creditors, it is plausible that the Monitor may incur difficulty in locating all creditors who may be entitled to a final distribution.

75. The Monitor will however make all reasonable efforts to locate the creditors or any successor entities to whom the funds may be owed.

76. Pursuant to the Receivership Appointment Order, Deloitte retains the authority and power to take and control any receipts and disbursements arising out of or from the Property, and to make payments and distributions of the net proceeds of the realization of the property in accordance with the Gandalf Plans, until further Order of this Court.

77. Pursuant to subarticle 5.1 of both Gandalf Plans, the Monitor is authorized to determine what funds are available for distribution to creditors, and upon such determination, the Applicant shall distribute said funds to creditors. The Monitor estimates that the final distribution will occur no later than the end of January 2021.

78. In the event that the Monitor is unable to locate certain creditors for payment of the final distribution, or if certain creditors do not collect their final distribution within six (6) months of distribution, the Monitor may seek approval of the Court to pay any unclaimed distributions into Court, along with a list of names, last known addresses and amounts owed to those creditors.

79. The Monitor through its legal counsel, has been in contact with Innovation, Science and Economic Development Canada (“**ISED**”) and IBM Data & AI (“**IBM**”), the two largest creditors of GCI and GCL, to ensure they are kept apprised of steps taken by the Monitor to date, and the Monitor’s intended steps to complete its involvement in this matter.

80. The Monitor has also conducted searches to confirm that GTI and GCL both remain active corporations, and intends to seek out last counsel for the corporations to obtain their position on the future steps to be taken in the completion of the administration of the estate.

81. In order to minimize costs, the Monitor has not served this brief on the entire Service List, but it will serve all future materials seeking specific relief from the Court, so that all stakeholders have the opportunity to participate in future formal hearings.

DELOITTE’S ROLES AND ACTIVITIES

82. Prior to accepting its appointment as Monitor, Deloitte was acting as a consultant to GTI. In the role of consultant, Deloitte acted as an independent party in advising the Companies’ management on issues and options with respect to selling the assets, communicating with RBC and assisting with locating a potential investor or purchaser of the business.

83. Since its appointment under the Initial Order, Deloitte, as the Monitor, has been involved with numerous aspects of the CCAA proceedings with a view to fulfilling its statutory and Court-ordered duties and obligations, as well as assisting the Companies and its stakeholders in addressing restructuring-related issues.

84. Some of the more significant matters that the Monitor was involved in, and assisted with, include but are not limited to the following:

- a. Supervised the day-to-day operations of the Gandalf Group;
- b. Assisted the Companies with communications with employees, suppliers, landlords, creditors and other parties, as well as communicating with these parties directly;
- c. Assisted the Companies in its discussions and arrangements with suppliers, with a view to minimizing disruption to customers;
- d. Assisted in the development and implementation of the Gandalf Plans;
- e. Monitored activities and insolvency proceedings occurring in the Subsidiaries to ensure the activities corresponded with the purpose of the Gandalf Plans;
- f. Negotiated with creditors of GSC regarding settlement of litigation and impact on CCAA proceedings;
- g. Participated in and assisting the Companies in its discussions with certain key stakeholders, including the Royal Bank of Canada;
- h. Assisted the Companies with the review of the Company's receipts and disbursements, the preparation of cash flow forecasts and reporting thereon;
- i. Participated in meetings and discussions with the Companies' management team, and the Companies' legal counsel in connection with the Companies business and financial affairs and in connection with the preparation of the Companies cash flow forecasts;
- j. Participated in negotiations with potential buyers and investors;
- k. Prepared and delivered periodic reports to the Court and to the creditors;
- l. Assisted the Companies in preparing for, and conducting, the Meeting of Creditors;

- m. Inquired into the financial condition and prospects of the Companies and reporting on same to the creditors, at or prior to the Meeting of Creditors;
- n. Assisted the Companies with the review and resolution of various claims asserted in and outside of the claims process;
- o. Responded to enquiries from creditors regarding the Gandalf Plans, the claims process and other matters relating to the CCAA Proceedings; and,
- p. Distributed funds to creditors on a periodic basis when the Monitor was in possession of appropriate funds.

85. In addition, as noted above, Deloitte acted in the role as Receiver pursuant to various court orders in numerous transactions in which the assets of the Companies were sold to various purchasing entities. The Receiver sold the assets of the Companies, received the proceeds of disposition, and handed those proceeds over to Deloitte, in its role as Monitor.

86. The intentions of the Monitor are now clear. It seeks to complete the administration of this estate and move beyond what ought to have happened in the past. The Monitor would be pleased to receive any input that the Court may have in this regard.

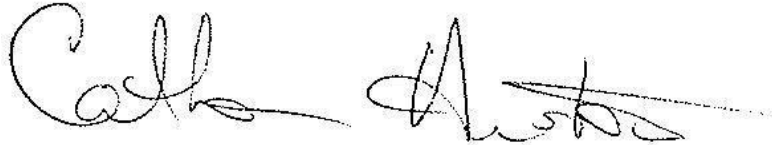
87. However, the Monitor will return to Court following the distribution of any further funds herein, at which time it will provide a final accounting to the Court, seek an order paying any remaining funds into Court, seek approval of its activities, and approval with respect to its fees and disbursements, along with those of its legal counsel.

88. For all the reasons noted above, the Monitor recommends to this Court that the Monitor proceed in the manner set out above, and that it come back before this Court at a future date once it has completed the distributions to creditors, to complete the administration of this estate.

ALL OF WHICH IS RESPECTIVELY SUBMITTED THIS 4th DAY OF DECEMBER, 2020.

Deloitte Restructuring Inc.

In its capacity as Monitor of
Gandalf Technologies Inc.
and not in its personal or corporate capacity

A handwritten signature in black ink, appearing to read "Catherine Hristow", with a long horizontal flourish extending to the right.

Per:

Catherine Hristow, BBA, CPA, CMA, LIT
Senior Vice President

LIST OF APPENDICES

- Appendix A – Initial Order, dated July 25, 1997
- Appendix B – Organizational Chart
- Appendix C – DIP Financing Agreement
- Appendix D – Detailed Calculation of the Employee Retention Plan
- Appendix E – Distributions to Employees under the Employee Retention Plan
- Appendix F – First Extension Order
- Appendix G – Second Extension Order
- Appendix H – GTI Plan of Arrangement or Compromise, filed October 3, 1997
- Appendix I – GCL Plan of Arrangement or Compromise, filed October 3, 1997
- Appendix J – Receivership Appointment Order, November 7, 1997
- Appendix K – Amendment Approval Order, dated November 12, 1997
- Appendix L – Amendment to GTI Plan
- Appendix M – Amendment to GCL Plan
- Appendix N – Sanctioning Order, dated November 21, 1997
- Appendix O – Greenwich Sale Approval Order, dated October 3, 1997
- Appendix P – Mitel Sale Approval Order, dated August 7, 1997
- Appendix Q – DecisionOne Sale Approval Order, dated October 17, 1997
- Appendix R – ActiveSystems Approval Order, November 12, 1997
- Appendix S – Chadwick Order, March 19, 1998
- Appendix T – Amatuzio Order, dated September 30, 1999
- Appendix U – Listing of interim distributions to creditors (all classes)

TAB A

Court File No.

197

97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE

) FRI DAY, THE 25.

JUSTICE AITKEN

)
) DAY OF JULY, 1997

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

- and -

**IN THE MATTER OF THE *COURTS OF JUSTICE ACT*,
R.S.O 1990, c. C-43**

- and -

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.**

Applicants

ORDER

THIS APPLICATION made by Gandalf Technologies Inc. ("Gandalf") and Gandalf Canada Ltd. ("GCL") (individually an "Applicant" and collectively or, where the context otherwise requires, the "Applicants") for an Order substantially in the form attached as Schedule "B" to the Notice of Application herein was heard this day, at the Court House, 161 Elgin Street, Ottawa, Ontario.

ON READING the Notice of Application, the Affidavit of Richard D. Busto sworn July 24, 1997, together with the exhibits thereto, and the consent of Deloitte & Touche Inc. as proposed Monitor of the Applicants, filed, and on hearing the submissions of counsel for the Applicants and counsel for Royal Bank of Canada ("the Bank"), and on being advised that certain of the other persons who might be interested in these proceedings were not served with the Notice of Application herein.

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record herein be and it is hereby abridged and that the Notice of Application is properly returnable today and further that service thereof upon any interested party other than the persons served with the Notice of Application and Application Record is hereby dispensed with.

APPLICATION

2. THIS COURT ORDERS AND DECLARES that the Applicants are companies to which the *Companies' Creditors Arrangement Act* (the "CCAA") applies.

STAY OF PROCEEDINGS

3. THIS COURT ORDERS that until and including October 31, 1997 (the "Stay Termination Date") or further Order of this Court:

- 3.1 any and all proceedings, including, without limitation, suits, actions, extra-judicial proceedings, enforcement processes or other remedies ("Proceedings") commenced, taken or proceeded with or that may be commenced, taken or proceeded with by any of the Applicants' creditors, customers, clients, suppliers, contractors, lenders, factors, customs brokers, purchasing agents, landlords (including, without limitation, equipment lessors and lessors of real property), sub-landlords, tenants, sub-tenants, licensors, licensees, concessionaires, co-owners, co-tenants, joint venture partners, co-venturers, partners, shareholders, governments of any nation, province, state or municipality or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government in Canada or elsewhere and any corporation or other entity owned or controlled by or which is the agent of any of the foregoing, or by any other person, firm, corporation or entity wherever situate

or domiciled (collectively, "Persons" and, individually, "Person"), against or in respect of the Applicants, or their directors or officers, or in respect of any property, assets and undertaking wherever located, whether held by the Applicants, in whole or in part, directly or indirectly, as principal, agent or nominee, beneficially or otherwise (the "Property"); whether pursuant to the *Bankruptcy and Insolvency Act* (the "BIA"), the *Winding Up and Restructuring Act* (the "WUA") or otherwise, are hereby stayed and suspended.

- 3.2 the right of any Person to make demand or draw under any debentures, notes, bonds, letters of credit or instruments of similar effect, issued by or on behalf of either or both of the Applicants prior to the date of this Order, to take possession of, exercise rights of garnishment, foreclose upon or otherwise realize upon or deal with any of the Property or to continue such actions or proceedings if commenced prior to the date of this Order, is hereby restrained;
- 3.3 the right of any Person (including, without limitation, any authority with jurisdiction to levy realty taxes) to commence or continue enforcement, realization or collection proceedings in respect of any encumbrance, tax, lien, security interest, charge, mortgage, guarantee, attornment of rents, hypothecation, pledge or other security held in relation to, or any trust attaching to any of the Property, including the right of any existing creditor to take any step in asserting, perfecting or registering any right or interest (including, without limitation, any right to revindication or any right to repossession or stoppage in transit of any goods supplied or shipped to the Applicants, whether taken in the Province of Quebec or elsewhere, and whether pursuant to the BIA or otherwise) is hereby restrained;
- 3.4 the right of any Person to assert, enforce or exercise any right, option or remedy available to it, including, without limitation, any right of dilution, buy-out, set-off, divestiture, pre-emptive right of purchase, option to purchase on default, forced sale,

acceleration, termination, suspension, modification, cancellation or right to revoke or terminate any qualifications, registration or lending arrangements (collectively, "Rights"), including any Rights arising under or in respect of any arrangement or agreement to which any of the Applicants is a party or in which the Applicants have an interest including, without limitation, any security agreement, mortgage, contract, letter of credit or guarantee (except as permitted by paragraphs 5, 9, 14, 15, 16, 17, 18 and 19 of this Order), partnership agreement, management agreement, lease, technology agreement, concession agreement, shareholders' agreement, joint venture agreement, operating agreement, supply agreement, distribution agreement, re-seller agreement or service agreement where such Rights arise out of, relate to or are triggered by the occurrence of any default or non-performance by the Applicants thereunder, the making of this Order or filing of these proceedings, or any allegation contained in these proceedings, including, without limitation, the right to make any demand, the right to send any notice, the right to crystallize any security interest, the right to exercise any pre-emptive first right, the right to accelerate the repayment of any outstanding indebtedness and the right to terminate, accelerate rent due under, interfere with an Applicants' quiet possession in respect of, or otherwise deal with a lease of lands or premises pursuant to which either or both of the Applicants is a tenant, is hereby restrained;

- 3.5 all Persons having arrangements or agreements, written or oral, with an Applicant, whether such Applicant is acting as principal, agent or as nominee, for the supply of goods and/or services by or to such Applicant, or to any of the Property, whether managed or held by an Applicant in whole or in part, directly or indirectly, as principal, agent or nominee, beneficially or otherwise, including, without limitation, equipment leases, licence agreements, consignment agreements, insurance contracts, concession agreements, warranty service contracts, distribution agreements, equipment financing agreements, conditional sales contracts, charge card and credit card agreements, bank and other operating accounts, management agreements,

transportation contracts, freight forwarding contracts, shipping and carrier contracts, computer software and support systems, supply contracts, maintenance and service contracts, access or sharing of premises or common facilities arrangements with respect to any of the Applicant's locations or premises, are hereby restrained from accelerating, terminating, suspending, modifying or cancelling such agreements, arrangements or supply of goods or services without the written consent of the applicable Applicant or leave of this Court. Without limiting the generality of the foregoing, all Persons are hereby restrained until further Order of this Court from discontinuing, interfering with or cutting-off any utility or required services (including telephone, facsimile or other communications services at the present numbers used by the Applicants in respect of any of the Property), the furnishing of oil, gas, water, heat or electricity, the supply of equipment, computer software, hardware support and electronic, internet, electronic mail and other data services, so long as the Applicants pay the normal prices or charges (other than deposits, stand-by fees or similar items which the Applicants shall have no obligation to pay) for such goods and services received after the date of this Order as same become due in accordance with present payment practices, or as may be hereafter negotiated from time to time, and that all such Persons shall continue to perform and observe the terms and conditions contained in any agreements entered into with an Applicant or in connection with any of the Property, as the case may be, of goods and services and from pursuing any rights or remedies arising thereunder;

- 3.6 all Persons are prohibited until further Order of this Court from terminating, cancelling, suspending, amending or withdrawing any licences, royalty arrangements, permits or approvals or rights relating to uses of product or brand names issued or granted to the Applicants or in connection with any of the Property and from pursuing any rights or remedies arising thereunder;

- 3.7 all Persons are restrained from exercising any right of distress, repossession, set-off or consolidation of accounts in relation to amounts due or accruing due in respect of or arising from any indebtedness or obligation of an Applicant as of the date hereof, or from retaining cheques and/or monies owing to an Applicant or to which an Applicant is entitled, or from retaining, returning or rotating goods or products, including, without limiting the generality of the foregoing, goods or products of an Applicant held by an Applicant's customers, any bailees, warehousemen, distributors, concessionaires or their agents, purchasing agents, freight carriers, delivery companies or customs brokers and agents, in relation to or by reason of amounts past due to or owing by such persons, or customs duties and charges, taxes, freight, insurance, storage or other charges paid on behalf of an Applicant prior to the date hereof for which an Applicant has not reimbursed such Person; and
- 3.8 the right of any holder of any loan or securities of an Applicant to convert such loan or securities to other securities or property of an Applicant, be and is hereby restrained and all persons are restrained from the registration or re-registration of any securities owned by an Applicant into the names of such Persons or their nominees, or the exercise of any voting rights attaching to any securities owned beneficially or otherwise by an Applicant.

4. THIS COURT ORDERS that no creditor of an Applicant shall be under any obligation after the date of this Order to advance or re-advance any monies or otherwise extend any credit to such Applicant except as otherwise provided in this Order.

5. THIS COURT ORDERS that, notwithstanding paragraphs 3 and 4 of this Order, any Person providing letters of credit, standby letters of credit or shipping guarantees (the "Issuing Party") at the request of an Applicant, shall be required to continue honouring letters of credit, standby letters of credit and/or shipping guarantees, issued on or before the date of this Order subject to the Issuing Party being entitled to retain bills of lading and/or shipping documents relating thereto

until paid therefor. For greater certainty, the Issuing Party shall be prohibited from terminating, suspending, modifying, determining, refusing to honour or cancelling such agreement, notwithstanding any provisions contained therein to the contrary, and the beneficiaries of such letters of credit, standby letters of credit or shipping guarantees for the supply and delivery of goods shall be entitled to draw on such letters of credit, standby letters of credit or shipping guarantees, as the case may be, in accordance with their respective terms and conditions, without the prior written consent of such Applicant or without the leave of this Court.

6. THIS COURT ORDERS that, from 8:00 a.m. (Ottawa time) on the date of this Order to the time of the granting of this Order, any act or action taken or notice given by any of the Applicants' creditors or other Persons in furtherance of their rights to commence or continue realization or to take or enforce any other step or remedy, will be deemed not to have been taken or given, as the case may be, subject to the right of such Persons to further apply to this Court in respect of such step, act, action or notice given. The foregoing shall not apply to invalidate any registration by any creditor which, during such period, effected any registrations with respect to security granted prior to the date of this Order, or which obtained third party consents in relation thereto.

7. THIS COURT ORDERS that, to the extent that any rights or obligations, or time or limitation periods relating to an Applicant or the Property may expire or terminate with the passage of time, the term of such rights, obligations or periods shall hereby be deemed to be extended by a period of time equal to the duration of the stay of proceedings effected by this Order and, in the event that an Applicant becomes bankrupt or a receiver is appointed in respect of such Applicant within the meaning of section 243(2) of the BIA, the period between the date of this Order and the day on which the stay of proceedings provided for in paragraph 3 of this Order is ended shall not be counted in determining the 30-day period referred to in Section 81.1 of the BIA, provided that this paragraph shall not be construed to extend the term of any lease that expires during the stay of proceedings.

8. THIS COURT ORDERS that all Persons having other arrangements or agreements, whether written or oral, with an Applicant, are hereby restrained from accelerating, terminating,

suspending, modifying, determining or cancelling such arrangements or agreements, notwithstanding any provisions therein contained to the contrary, without the prior written consent of such Applicant or with leave of this Court. All such Persons shall continue to perform and observe the terms, conditions and provisions contained in such agreements on their part to be performed or observed. Without limiting the generality of the foregoing, all Persons be and they are restrained until further Order of this Court from terminating, suspending, modifying, cancelling, disturbing or otherwise interfering in any way with the present or future occupation by an Applicant of any premises leased, subleased or occupied by such Applicant, and the landlords of premises leased or subleased by an Applicant are hereby specifically restrained from taking any steps to terminate any lease, sublease, occupancy or other agreement to which an Applicant is a party, whether by notice of termination or otherwise, or to terminate any ancillary agreements or arrangements, including, without limitation, leasehold improvement arrangements with an Applicant, without the prior written consent of such Applicant or leave of this Court, subject to the obligation of the Applicant to pay occupation rent for the period commencing with the date of this Order for leased premises actually occupied by an Applicant, but not arrears, in accordance with the terms of the particular lease for such premises or at the option of the Applicant in advance on the first (1st) and fifteenth (15th) day of the month in equal instalments, or as otherwise may be negotiated by such Applicant from time to time.

9. THIS COURT ORDERS that, notwithstanding any provision hereof, the Applicants shall be entitled to exercise any right of set off in respect of amounts due or accruing due in respect of or arising from any indebtedness or obligation of either Applicant after the date of this Order, and such Applicant shall be entitled to exercise any right of set-off or consolidation of accounts in respect of any amounts due or accruing due in respect of or arising from any indebtedness or obligation of such Applicant after the date of this Order, all in accordance with existing practice or contractual obligations.

OPERATIONS

10. THIS COURT ORDERS that the Applicants shall remit, in accordance with legal requirements, (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any province which are required to be deducted from employees' wages, including, without limitation, amounts in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes ("Crown Priorities"); (b) amounts payable by the Applicants in respect of employment insurance, Canada Pension Plan, Quebec Pension Plan and income taxes with respect to employees; and (c) all goods and services or sales taxes payable by the Applicants or their customers in connection with the retail sale of goods and services by the Applicants to such customers.

11. THIS COURT ORDERS that after the date hereof the Applicants shall be entitled to pay all reasonable expenses incurred by the Applicants in carrying on their business after the date of this Order and carrying out the provisions of this Order, which expenses, pending any further Order of this Court, shall include, without limitation, payment of:

- 11.1 the fees and disbursements of the Monitor (as defined in paragraph 25 hereof) including the fees and disbursements, if any, on a solicitor and client basis, of counsel retained by the Monitor;
- 11.2 the fees and disbursements, on a solicitor and client basis, of counsel retained by the Applicants in respect of these proceedings and the Plan;
- 11.3 amounts to make such arrangements necessary for payment of suppliers of goods or services actually supplied, delivered or provided to an Applicant following the date of this Order;

- 11.4 all wages, salaries, employee benefits, vacation pay, and other like amounts accruing due to employees including, without limitation, the reimbursement of business expenses legitimately incurred by employees, payments to operate and fund the payroll system (including source deductions) for the Applicants and other Persons for whom the Applicants meet the payroll;
- 11.5 all expenses reasonably necessary for the preservation of the Property including, without limitation, payments on account of insurance, shipping and security;
- 11.6 all premiums on directors' and officers' liability insurance;
- 11.7 amounts required to reduce Borrowings owing to the Bank to an amount not greater than that amount which would be, from time to time, the maximum amount permitted as Borrowings based on the Margin Requirements as stipulated in the credit agreements with the Bank. Capitalized terms used in the subsection shall have the meaning ascribed to them in the credit agreements between the Applicants and the Bank.
- 11.8 any other amounts provided for by the terms of this Order.

POSSESSION OF PROPERTY

12. THIS COURT ORDERS that, subject to the terms of this Order, the Applicants shall remain in possession and control of the Property, shall carry on business in a manner consistent with the objectives of the Restructuring and shall be authorized and empowered to continue to retain and employ or terminate the agents, accountants, advisors, servants, solicitors and consultants currently in their employ and paid by an Applicant or any Person related to or affiliated with an Applicant, with liberty to retain or terminate such further agents, accountants, advisors, servants, solicitors, assistants and consultants as is reasonably necessary or desirable in the ordinary course of business or for the

purpose of the Plan or the carrying out of the terms of this Order, or otherwise subject to the approval of this Court.

RESTRUCTURING

13. THIS COURT ORDERS that the Applicants shall have the right to:

- 13.1 cease, downsize or shut down any of their operations or locations and to make provision for any consequences thereof in the Plan;
- 13.2 terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate and, to the extent not paid in the ordinary course, to make provision for any consequences thereof in the Plan;
- 13.3 abandon any lease and any ancillary agreements relating to any leased premises or part or parts thereof, on thirty (30) days notice in writing to the relevant landlord on such terms as may be agreed upon between an Applicant, the Bank and such landlord and, failing agreement, on terms the appropriate Applicant and the Bank deem appropriate and to make provision for any consequences thereof in the Plan; provided such Applicant may remain in occupation of such premises despite such termination so long as it pays occupation rent in accordance with paragraph 8 of this Order save and except that the Applicants shall be bound by the terms of the First Lease Amending Agreement dated as of the 18th day of July, 1997 by the Applicant with the Glenview Corporation;
- 13.4 proceed with an orderly liquidation of such of their Property as the Applicants deem appropriate with the prior written consent of the Bank;

- 13.5 terminate such of their arrangements or agreements of any nature whatsoever, whether oral or written, as the Applicants deem appropriate and to make provision for any consequences thereof in the Plan;

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of their respective business operations (the "Restructuring").

EMPLOYEE RETENTION PLAN

14. THIS COURT ORDERS that in order to facilitate the Restructuring, the Employee Retention Plan appended as Schedule "A" to this Order is hereby approved, and the Applicants and their affiliates shall be entitled to enter into employee retention agreements with Eligible Employees upon the specified terms and conditions all as referred to and defined in the said Employee Retention Plan. The employee retention agreements entered into pursuant to the Employee Retention Plan shall supercede any and all prior compensation, commission, bonus and/or retention bonus arrangements in place, offered or extended to any of the employees of the Applicants or their affiliates.

15. THIS COURT ORDERS that the financial obligations of the Applicants and their affiliates to Retained Employees as defined in, and arising pursuant to the Employee Retention Plan shall be secured in favour of the Retained Employees by a first ranking fixed charge, mortgage and lien which shall be held by Deloitte & Touche Inc. as Monitor in a maximum amount of U.S. \$1,551,844.00 which amount shall be reduced from time to time to an amount equal to the Total Compensation determined by the Monitor from time to time as remaining to be paid as Total Compensation pursuant to the said Employee Retention Plan, which charge mortgage and lien shall attach to such specified assets as are agreed from time to time between the Bank and the Applicants (the "Employee Retention Plan Charge").

POWER TO BORROW

16. THIS COURT ORDERS that, in order to facilitate the Restructuring, the Applicants are hereby authorized and empowered to borrow from the Bank such monies from time to time as the Applicants, the Monitor and the Bank may consider necessary or desirable, pursuant to an operating credit facility established between the Applicants and the Bank to a maximum of CDN \$1,550,000.00 on the terms and conditions as set forth in the Commitment Letter between the Applicants and the Bank dated as at July 22nd, 1997 (the "DIP Commitment Letter") appended as Schedule "B" to this Order, to fund the ongoing operations and expenditures of the Applicants and to pay such other amounts as are permitted by the terms of this Order.

17. THIS COURT ORDERS that the repayment of monies borrowed by the Applicants under the DIP Commitment Letter, together with interest, fees, charges and other amounts payable in respect thereof, shall be a primary debt obligation of the Applicants, secured in favour of the Bank as a first ranking fixed charge on the entirety of the assets and undertaking of the Applicants in priority to all liens, claims and encumbrances (except for and to the extent of the indebtedness secured pursuant to the Employee Retention Plan Charge, but including all Potential Preferred Claims) pursuant to the Security Documents in favour of the Bank, all as referred to and defined in the DIP Commitment Letter.

18. THIS COURT ORDERS that, notwithstanding (a) the pendency of these proceedings and the declarations of insolvency made herein, (b) the pendency of any petitions for Receiving Orders hereafter issued pursuant to the BIA in respect of any of the Applicants and any Receiving Orders issued pursuant to any such Petitions and, (c) the provisions of any federal or provincial statute:

- (i) the obligations of the Applicants pursuant to the DIP Commitment Letter and all documents delivered pursuant thereto constitute legal, valid and binding obligations of the Applicants enforceable against them in accordance with the terms thereof; and

- (ii) the payments made by the Applicants pursuant to the DIP Commitment Letter, whether made before, on or after the date of this Order, or at any time after the Restructuring Period, and the granting of the security in respect thereof, do not constitute fraudulent preferences or other challengeable or reviewable transactions under any applicable law.

19. THIS COURT ORDERS that the Bank shall be treated as an unaffected creditor in these proceedings to the extent of advances made under the DIP Commitment Letter and documents delivered pursuant thereto and, notwithstanding any other provision of this Order, the Bank shall have the right to:

- (i) terminate the making of advances to the Applicants in accordance with the terms of the DIP Commitment Letter; and
- (ii) apply to this Court for the appointment of a receiver and manager, or a private receiver and manager, and for the appointment of a Trustee in Bankruptcy

20. THIS COURT ORDERS that each Applicant is hereby authorized and empowered, subject to the existing rights of the Bank to:

- 20.1 borrow such additional funds as it may deem necessary on an unsecured basis;
- 20.2 grant purchase-money security interests other than in respect of inventory, provided that such purchase-money security interests are in compliance with the provisions of the *Personal Property Security Act* (Ontario), R.S.O. 1990, c.P-10, as amended (the "PPSA") and other similar provincial or federal legislation where applicable;
- 20.3 grant such security as it may deem necessary to any Bank providing new advances subsequent to the date of this Order, which security may rank ahead of any security

in existence prior to the time of the making of this Order, if the consent of the Bank is obtained and of all secured creditors having an interest in the collateral in respect of which the security is to be granted,

but nothing in this Order shall prevent any creditor from advancing further funds to the Applicants pursuant to existing lending arrangements on the security of inventory or the proceeds thereof.

PAYMENT OF CREDITORS

21. THIS COURT ORDERS that, subject to and except as provided in paragraphs 8, 10, 11 and 30 hereof and except as otherwise provided in this Order, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments, whether of principal, interest thereon or otherwise, on account of amounts owing by the Applicants to any of their creditors as of this date; and
- (b) to grant no mortgages, charges or other security upon or in respect of any of the Property other than for the specific purpose of borrowing new funds as provided in paragraphs 16, 17 and 20 hereof or as otherwise authorized pursuant to this Order.

22. THIS COURT ORDERS that all liens in favour of the Crown, federal or provincial, and all mortgages, liens, charges or security interests in favour of any Person created or granted before the date of this Order for advances made or obligations incurred prior to the date of this Order shall retain the same respective priorities, *inter se*, as if this Order had not been made.

PLAN OF ARRANGEMENT

23. THIS COURT ORDERS that the Applicants are hereby authorized and permitted to file with this Court a plan of compromise or arrangement under the CCAA (the "Plan") on or before August 31, 1997.

24. THIS COURT ORDERS that the Applicants shall, on or before September 30, 1997, summon and convene meetings between the Applicants and their respective classes of creditors under the Plan to consider and vote upon the Plan.

MONITOR

25. THIS COURT ORDERS that, until further Order of this Court, Deloitte & Touche Inc. (the "Monitor") be and it is hereby appointed as an officer of this Court to monitor the business and affairs of the Applicants with the powers and obligations hereafter set forth and that each Applicant, their shareholders, officers, directors, employees, servants, agents and representatives shall cooperate fully with the Monitor in the exercise of its power and discharge of its obligations. Without limiting the generality of the foregoing, the foregoing persons shall provide the Monitor with such access to the Applicants' books, records, assets and premises as the Monitor requires to exercise its powers and perform its obligations under this Order.

26. THIS COURT ORDERS that the Monitor shall:

26.1 assist the Applicants in the development of the Plan and any amendments to and the implementation of the Plan;

26.2 review the cashflow forecasts and operating reports that must be prepared by the Applicants and submitted to the Monitor on a bi-weekly basis or as otherwise required by the Monitor, and the Monitor shall report to the Bank on the reasonableness of the

forecasts and the reports, and any disbursements in excess of the amount forecast for such item shall be submitted by the Applicants to the Monitor for its approval.

- 26.3 assist the Applicants with the holding and administering of any Meetings for voting on the Plan and shall act as chair at any such Meetings;
- 26.4 inquire into and report to creditors, at or prior to any meetings to consider the Plan, upon the financial condition and prospects of the Applicants;
- 26.5 be at liberty to engage legal counsel, in the event the Monitor requires independent legal advice concerning a specific issue or issues relating to the exercise of its powers and discharge of its obligations under this Order, and engage such other agents as the Monitor deems necessary respecting the exercise of its powers and performance of its obligations under this Order;
- 26.6 report to this Court as the Monitor deems appropriate or as this Court directs, in respect of the Plan, the Restructuring or the business of the Applicants or in respect of such other matters as may be relevant to the proceedings herein;
- 26.7 be at liberty to apply to the Court for directions; and
- 26.8 perform such other duties as are required by this Order.

27. THIS COURT ORDERS that the Monitor is authorized but not obligated to provide all interested parties, including but not limited to the affected creditors, with its report or assessment on the Plan. The Monitor shall incur no liability as a result of any report or assessment that it may make pursuant to this provision.

28. THIS COURT ORDERS that the Monitor shall provide the Applicants' creditors with information in response to reasonable requests for information made in writing by any of the creditors addressed to the Monitor. The reasonableness of any such request shall be conclusively determined by the Monitor, having regard to the time and expense that may be required to satisfy the request. The Monitor, as a condition of compliance with any such request, may require the advance payment by the creditor of the fees, costs and expenses anticipated to be incurred in complying with such request. In the case of information which the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by the Court.

29. THIS COURT ORDERS that, except as may be required in respect of the Employee Retention Plan Charge, the Monitor is not empowered to take possession of the Property of the Applicants or to manage any of the Applicants' businesses or affairs and shall not, by fulfilling its obligations hereunder, be deemed to have taken and maintained possession or control of the Property, or any part thereof, and shall not occupy any premises except in such circumstances as the Monitor deems necessary.

30. THIS COURT ORDERS that the reasonable fees and disbursements of the Monitor (including the reasonable solicitor and client fees and disbursements of any counsel retained by the Monitor) and the reasonable solicitor and client fees and disbursements of Applicants' counsel in these proceedings shall be paid by the Applicants as part of the costs of these proceedings, the Plan and the Restructuring and the Applicants are hereby authorized and directed to pay the accounts of the Monitor, Applicants' counsel and any counsel for the Monitor on a weekly basis. In addition, the Applicants are hereby authorized to pay each of the Monitor and counsel to the Applicants such retainers as may be agreed upon to be held by the Monitor and such counsel as security for payment of their fees and disbursements outstanding from time to time (including with respect to this Application), subject to any final assessment or taxation as may be ordered by this Court, in which case the remuneration of the Monitor shall be taxed on the basis of a chartered accountant and its

own client and the legal costs of the Monitor's and/or Applicants' counsel shall be taxed on the basis of a solicitor and its own client.

31. THIS COURT ORDERS that the Monitor shall not be liable for any act, omission, obligation or purchase of an Applicant or any act or omission as a result of the Monitor's appointment or the fulfilment of its duties in the carrying out of the provisions of the Order, save and except for gross negligence or wilful misconduct on its part and that no action, application or other proceeding shall be taken, made or continued against the Monitor without the leave of this Court first being obtained.

32. THIS COURT ORDERS that the appointment of the Monitor shall not constitute the Monitor to be an employer or a successor employer within the meaning of any legislation governing employment or labour standards or in respect of pensions or benefits or any other statute, regulation or rule of law or equity for any purpose whatsoever and, further, that the Monitor shall not be deemed to be an owner or in possession, control or management of the Property or of the business and affairs of an Applicant whether pursuant to any legislation enacted for the protection of the environment, health and safety or any other statute or regulation of any federal, provincial or other jurisdiction or under any rule of law or equity for any purpose whatsoever.

GENERAL TERMS

33. THIS COURT ORDERS that the Applicants be at liberty to:

- 33.1 serve this Order, any other orders in these proceedings, all other proceedings, the Plan, any notice of Meetings and all other notices, and to deliver any letters to creditors, information circulars, proofs of claims, proxies and disallowances of claims, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicants' creditors at the addresses as last shown on the records of an Applicant and that any such service or notice by courier, personal

delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the fourth business day after mailing;

33.2 take such proceedings under the BIA or the WUA as the Applicants at any time deem appropriate; and

33.3 waive requirement for demand and notice by the Bank and consent to the appointment of a receiver and/or receiver and manager of any of the Property otherwise protected by this Order, at any time.

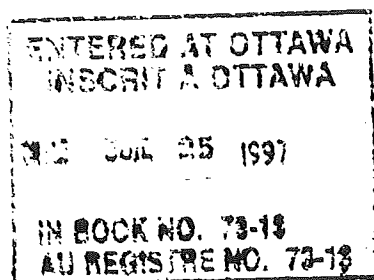
34. THIS COURT ORDERS that, notwithstanding any other provision of this Order, the Applicants may apply at any time to this Court to seek any further relief, and any interested Person may apply to this Court, to vary or rescind this Order or seek other relief on seven (7) days' notice to the Applicants, the Monitor, the Bank and to any other Person likely to be affected by the Order sought or on such other notice, if any, as this Court may Order.

35. THIS COURT ORDERS that this Order and any other Orders in these proceedings shall have full force and effect in all provinces and territories in Canada and abroad and as against all Persons against whom they may otherwise be enforceable.

36. THIS COURT ORDERS AND REQUESTS the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada (including the assistance of any court in Canada pursuant to Section 17 of the CCAA) and the Federal Court of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United Kingdom, the United States of America and the states or other subdivisions of the United Kingdom and the United States of America and of any other nation or state to act in aid of and to be complementary to this Court in carrying out the terms of this Order.

37. THIS COURT ORDERS that for the purposes of seeking the aid and recognition of any court or any judicial, regulatory or administrative body outside of Canada, the Monitor shall act and be deemed to be the foreign representative of the Applicants.

Githen. J.



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.O. 1985, c.C-36 and
IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c.C-43 and
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no.

97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

OSLER, HOSKIN & HARCOURT
Suite 1500
50 O'Connor Street
Ottawa, Ontario
K1P 6L2

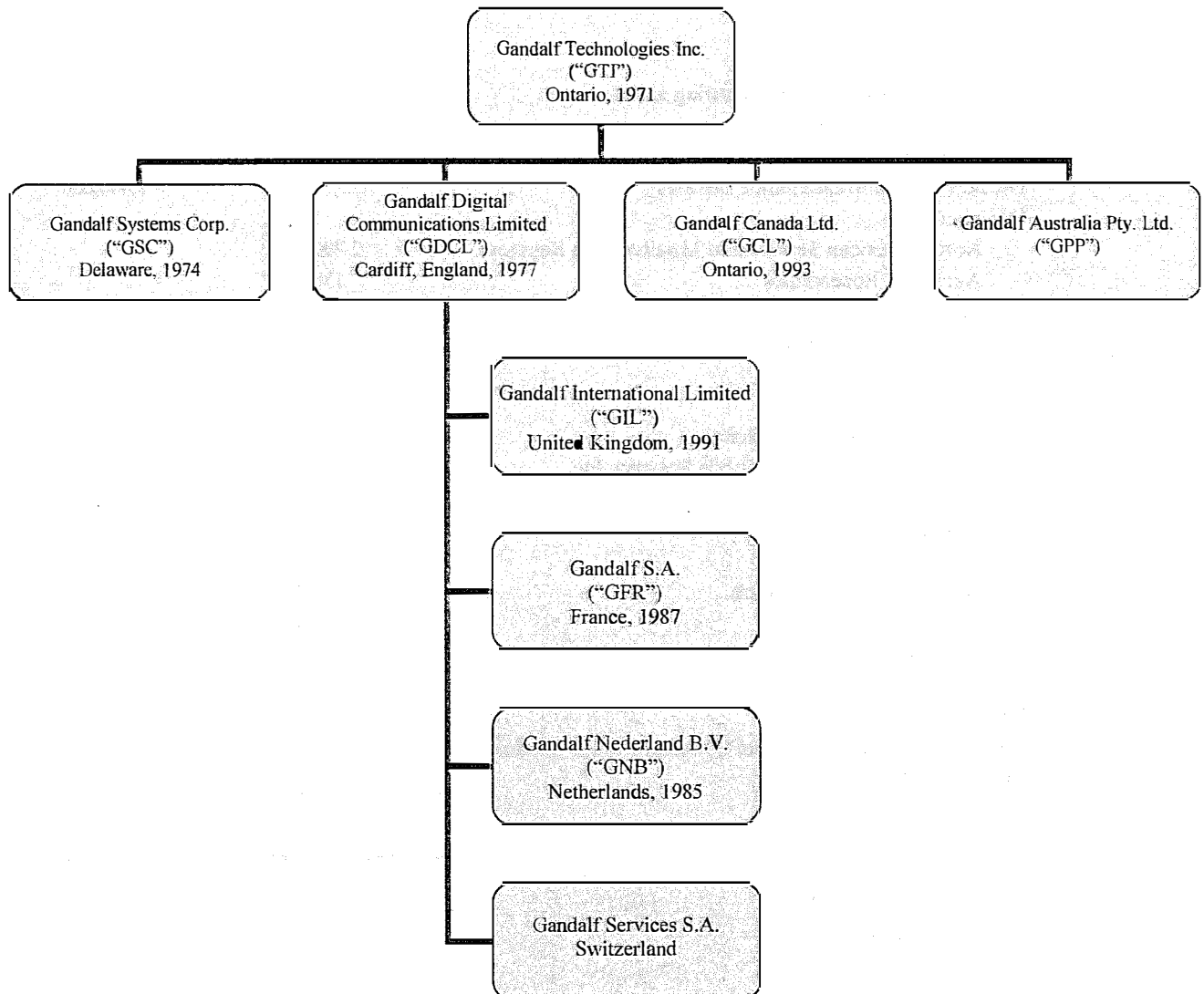
Heather P. Griffiths
(613) 787-1027
(613) 235-2867

Solicitors for Applicants

F.

TAB B

**GANDALF TECHNOLOGIES INC. AND SUBSIDIARIES
(INCLUDING JURISDICTION AND YEAR OF INCORPORATION)**



TAB C



ROYAL BANK

Business Banking - Ottawa
Ottawa Centre

July 22, 1997

Gandalf Technologies Inc.
Gandalf Canada Ltd.
130 Colonnade Road South
Nepean, Ontario
K2E 7M4

Attention: Mr. R. Busto
President

Dear Sir:

Royal Bank of Canada (the "Bank") hereby offers Gandalf Technologies Inc. and its Affiliate, Gandalf Canada Ltd. (collectively the "Borrower") the following Credit Facility (the "Credit Facility"), which, upon acceptance by the Borrower and approval by the Court (as hereinafter provided) shall become binding and effective and available subject to and upon the terms and conditions set forth herein. This Credit Facility is separate from the credit facilities provided to the Borrower in our Letter Agreement of June 11, 1996 as amended by letters of November 6, 1996, November 18, 1996, February 7, 1997 and April 11, 1997 ("Existing Credit Facilities"). This Credit Facility shall be governed by the following terms and conditions:

1. **Definitions**

The definitions attached hereto in Schedule "A" are incorporated in this Agreement by reference as if set out in full herein and unless otherwise provided, all accounting terms herein shall be interpreted in accordance with GAAP.

2. **Borrower**

Gandalf Technologies Inc. and Gandalf Canada Ltd., jointly and severally.

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3. **CCAA Filing**

The Borrower has advised the Bank that it will be filing for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act* ("CCAA") so as permit the Borrower to have the opportunity to restructure its financial affairs and operations subject to the approval of its creditors and the Court or alternatively, to liquidate its assets in an orderly manner for the benefit of its creditors. This Credit Facility is being provided for purposes of assisting the Borrower in funding its operations during the period of restructuring and/or liquidation under the CCAA as aforesaid and the availability of Borrowings under this Credit Facility is expressly conditional upon the following:

- (a) an order ("Order") of the Ontario Court of Justice (General Division) (the "Court") being entered and continuing throughout the time period of restructuring ("Restructuring Period") granting relief to the Borrower under the CCAA which Order and any amendments thereof or supplements thereto shall be satisfactory to the Bank and shall expressly authorize this Credit Facility on the terms and conditions set forth herein.
- (b) as security for all Borrowings hereunder, the Order shall specifically grant and confirm a first ranking comprehensive security interest in favour of the Bank secured by the Security Documents over all existing and after acquired property assets and undertaking of the Borrower which security interests shall rank in priority to all liens, claims and encumbrances (including all Potential Preferred Claims) against the Borrower, except for the Employee Retention Plan Charge as hereinafter referred to.
- (c) all Conditions Precedent as set forth in this Agreement shall have been satisfied or waived by the Bank as provided in this Agreement.

4. **No Reliance by Third Parties**

No person other than the Borrower ("Third Party") is entitled to rely upon this Agreement or any of its contents, and under no circumstances shall the Bank be liable to any Third Party for any losses, costs or damages however incurred by such Third Party in connection with this Agreement or the Borrower regardless of whether the initial Order is granted or Borrowings become available to the Borrower hereunder.

5. **Credit Facility**

This Credit Facility is available in the following segments as follows:

- 1. Royal Bank US Base Rate based loans in US Dollars ("RBUSTR Loans").
- 2. Royal Bank Prime based loans in Canadian Dollars ("RBP Loans").

Each use of the Credit Facility is referred to as a "Borrowing".

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6. **Amount(s)**

Cdn \$1,550,000 Demand Loans.

7. **Purpose**

The Borrower shall use the Credit Facility solely for the purpose of (i) funding its operations as set forth in the Cash Flow Plan (as hereinafter provided) during the Restructuring Period, (ii) funding Required Payments under the Employee Retention Plan and (iii) not for any other purpose, unless agreed to in writing by the Bank and Borrower.

8. **Availability**

Borrowings under the Credit Facility are available on any Business Day through the Branch of Account upon satisfaction or waiver by the Bank of the Conditions Precedent. The Borrower will to the extent that it has monies available to it which have been generated from its operations or from the sale of its assets, fund its operations from such monies and not from Borrowings hereunder.

The Borrower may borrow up to the amount of the Credit Facility. All repayments of Borrowings exclusive of interest (and fees) are permanent reductions of availability of the Credit Facility and each such repayment reduces the amount available under the Credit Facility by the amount of each repayment, and the Borrower may not reborrow the amounts repaid.

9. **Repayment**

The Credit Facility is a demand facility, and the Bank may cancel any undrawn portion of the Amount at any time. All Borrowings outstanding shall be due and payable on demand by the Bank.

As provided for in the Order and as covenanted by the Borrower in this Agreement, the Borrower will forthwith apply all funds received by the Borrower from the sale or liquidation of its assets (other than those funds contemplated by the Cash Flow Plan to be retained by the Borrower and used for its operations) to repay Borrowings hereunder and Availability under the Credit Facility will be reduced by an equivalent amount.

10. **Interest Rates**

- (a) Royal Bank Prime ("RBP") plus 2%.
- (b) Royal Bank US Base Rate ("RBUSBR") plus 2%.

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11. Calculation and Payment of Interest and Fees

(a) RBP Loans

The Borrower shall pay interest on each RBP Loan in Canadian Dollars and interest on each RBUSBR Loans in US Dollars monthly in arrears on the first Business Day following the 24th of each month. Such interest will accrue and be computed daily on the daily closing balance on the basis of a year of 365 days. Any change in RBP or RBUSBR shall be effective as of the opening of business on the day such change takes place.

(b) Commitment Fee

The Borrower shall pay a fee to the Bank of CDN \$100,000 which shall be deemed to be earned by the Bank and shall be payable by the Borrower on September 1st, 1997. This fee is non-refundable and is to compensate the Bank for the time, effort and expense incurred by the Bank in reviewing the documentation, plans and other matters related to the Borrower and the Credit Facility which have enabled the Bank to approve the Borrower's request for this Credit Facility.

(c) Interest Act (Canada)

The annual rates of interest or fees to which the rates calculated in accordance with this Agreement are equivalent, are the rates so calculated multiplied by the actual number of days in the calendar year in which such calculation is made and divided by 365.

12. Time and Place of Payment

Payments of principal, interest, fees and all other amounts payable by the Borrower pursuant to this Agreement shall be paid at the Branch of Account in immediately available funds in Canadian dollars except as otherwise herein provided. Each payment under this Agreement shall be made for value on the day such payment is due, provided that if any such day is not a Business Day such payment shall be deemed for all purposes to be due on the Business Day next following such day and all interest and other fees shall continue to accrue until payment. Interest and fees payable under this Agreement are payable both before and after any or all of default, demand and judgment.

13. Withholding Taxes

All payments required under the Credit Facility shall be made free and clear of and without any withholding on account of any taxes or other charges of any nature or kind whatsoever. If any such taxes or charges are required to be withheld from any payment made hereunder, the Borrower shall pay an additional amount such that the net amount received by the Bank shall be equal to the amount which would have been received if no such withholding were required to be made.

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14. **Exchange Rate Fluctuations**

If, in the sole determination of the Bank, due to exchange rate fluctuations or for any other reason, the value of Borrowings outstanding under the Credit Facility, when converted to Canadian Dollars, exceeds the amount as of the 25th day of any month, the Borrower shall either repay or otherwise retire the outstanding Borrowings to the extent of the amount of such excess, or shall secure the amount of such excess in a manner which is satisfactory to the Bank.

15. **Conversion**

The Borrower may convert a Borrowing into another segment of Borrowing set forth in paragraph 5 hereof provided that no demand for payment has occurred.

16. **Evidence of Indebtedness**

The Bank shall open and maintain at the Branch of Account accounts and records evidencing the Borrowings made available to the Borrower by the Bank under this Agreement. The Bank shall record the principal amount of each Borrowing, the payment of principal and interest and all other amounts owing to the Bank.

The Bank's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrower to the Bank.

The Borrower authorizes and directs the Bank to automatically debit any bank account of the Borrower for all amounts payable by the Borrower to the Bank including, without limitation, the repayment of all amounts due under this Agreement and all charges for the keeping of such bank account.

This provision shall be interpreted as a separate contract between the parties, independent of all other terms of this Agreement and shall remain in full force and effect notwithstanding that this Agreement shall have otherwise ceased to have any force or effect.

17. **Increased Costs**

If, in the reasonable opinion of the Bank, the Bank is now or hereafter becomes subject to, or there is a change in:

- (a) any reserve, special deposit, deposit insurance, or similar requirement against assets of, or deposits in or for the account of, or credit extended by, or any acquisition of funds by, the Bank.
- (b) any reserve, special deposit, or similar requirement with respect to all or any of the Borrowings or the undrawn portion of all or any part of the Credit Facility.

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- (c) taxation of, or the basis of, taxation of any payments due to the Bank hereunder (except for taxes on the overall net income of the Bank) or taxation on reserves or deemed reserves with respect to all or any part of the Credit Facility.
- (d) any requirement relating to capital adequacy, or
- (e) any other condition imposed by Applicable Law or any interpretation of Applicable Law by an entity charged with the administration thereof or any other condition with which financial institutions operating in Canada are accustomed to comply or have generally complied, whether or not having the force of law.

and the result of any of the foregoing, in the sole determination of the Bank, is to increase the cost to, or to reduce any amount received or receivable by, the Bank hereunder, or to reduce the Bank's effective return hereunder to a level below that which the Bank could have otherwise achieved (using any reasonable averaging and attribution method), the Bank shall determine that amount of money which shall compensate it for such increase in cost or reduction in income or reduction in rate of return on the Bank's capital, and the Borrower shall pay to the Bank upon demand such amount in respect of such increased cost or reduction as the Bank may determine to be required to compensate the Bank. The Bank's determination of such increased costs or reduction shall be conclusive, and binding on Borrower absent manifest error.

18. **Illegality**

If the introduction of or any change in Applicable Law makes it unlawful, or prohibited for the Bank, in its sole opinion, to perform its obligations under this Agreement, the Bank may, by written notice to the Borrower, terminate its obligations under this Agreement, and the Borrower shall prepay the Borrowings immediately or at the end of such period as the Bank may agree, together with all interest and fees which have accrued to the date of payment.

19. **Conditions Precedent**

The obligation of the Bank to make available each disbursement of a Borrowing is subject to and conditional upon the following (the Conditions Precedent"):

- (i) the receipt in form and substance satisfactory to the Bank, of a duly executed copy of this Agreement.
- (ii) the receipt in form and substance satisfactory to the Bank, of a Confirmation Agreement confirming that the following documents which are now held by the Bank and the Confirmation Agreement (the "Security Documents") are also held by the Bank as security for Borrowings hereunder as well as for all other Borrowings owing to the Bank by the Borrower or either of them under the Existing Credit Facilities.

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- (a) a General Security Agreement (the "GSA") on the Bank's standard form signed by the Borrower and representing a first charge on all assets of the Borrower other than real estate and purchase money security interests ("PMSIs"), save for PMSIs over the Borrower's inventory;
- (b) a General Assignment of Debts on the Bank's standard form signed by the Borrower;
- (c) Assignments by the Borrower of all of its shares in Gandalf Systems Corporation ("GSC"), Gandalf Digital Communications Ltd. ("GDCL") and GCL;
- (d) Assignment by the Borrower of all patents, trademarks and licenses;
- (e) a General Assignment of Leases signed by the Borrower covering 130 Colonnade Rd. S. and 40 Concourse Gate, both in Nepean, Ontario;
- (f) a General Security Agreement on the Bank's standard form signed by GSC and representing a first charge on all assets of GSC other than real estate and PMSIs;
- (g) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of not less than US \$15,000,000 plus interest and fees, signed by GSC;
- (h) Assignment by GSC of all patents, trademarks and copyrights and licenses;
- (i) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of \$3,000,000 plus interest and fees signed by GCL;
- (j) a Guarantee & Postponement of Claim on the Bank's standard form in the principal amount of not less than US \$15,000,000 plus interest and fees signed by GCL;
- (k) a General Security Agreement on the Bank's standard form signed by GCL and representing a first charge on all assets of GCL other than real estate and PMSIs over GCL's inventory;
- (l) section 427 Bank Act security by GCL;
- (m) a general assignment of debts on the Bank's standard form signed by GCL;
- (n) a general hypothecation signed by the Borrower with respect to any Liquid Collateral Security;
- (o) assignment of insurance policies covering inventory of GSC;
- (p) assignment of insurance policies covering inventory of GCL;
- (q) a guarantee by Gandalf Digital Communications Limited;

all of which Agreements and documents shall be in form and content satisfactory to the Bank and shall have been duly registered in all appropriate jurisdictions in order to perfect and maintain the security created by the Security Documents. and

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- (iii) the Bank and its legal counsel shall have received and approved all Court materials filed in connection with the CCAA proceedings of the Borrower and shall have approved the initial draft Order and which Order shall be issued by the Court and together with all amendments and supplements thereto, shall be satisfactory to the Bank in its sole and unfettered discretion.
- (iv) the Borrower shall have obtained the Order under the CCAA in form and substance satisfactory to the Bank and its legal counsel authorizing the within Credit Facility and the priority of the Bank's security interest for all Borrowings hereunder being secured by the security interest of the Bank under the Security Documents which shall, except for the Employee Retention Plan Charge, be a first ranking charge on such of the assets and undertaking of the Borrower and shall be satisfactory to the Bank.
- (v) other than in respect of the application by the Borrower under the CCAA, there will have been (i) no material adverse change, individually or in the aggregate, in the business, financial or other condition of Borrower except as contemplated by the Cash Flow Plan, (ii) no material adverse change in the industry in which Borrower operates, or the collateral which will be subject to the lien granted to the Bank hereunder, or in the prospects or projections of Borrower; (iii) no litigation or other proceedings have been commenced which if successful, would have a material adverse impact on Borrower, its business, or its ability to repay the loans, or which would challenge the transactions herein contemplated or under consideration, and (iv) since the date hereof, no change in loan syndication, financial or capital market conditions has occurred generally that in the Bank's judgment would materially impair the Credit Facility, the Bank's Security Documents or the Borrower's financial condition.
- (vi) the Borrower shall have delivered to the Bank a Certificate of a senior officer of the Borrower satisfactory to the Bank in the form and substance set forth in Schedule "B".
- (vii) the Borrower shall have delivered to the Bank a Certificate of Deloitte & Touche Inc., (the "Monitor") in the form and substance set forth in Schedule "C".
- (viii) the Borrower shall have delivered to the Bank and to the Monitor the Cash Flow Plan and each disbursement of Borrowings shall be strictly in accordance with the Cash Flow Plan. The Borrower may from time to time alter and amend the Cash Flow Plan with the approval of the Monitor and the Bank.

- (ix) the Borrower shall have established the Employee Retention Plan as provided for in the Court Order, and the charge ("Employee Retention Plan Charge") shall have been validly issued and perfected.
- (x) the Bank shall be satisfied with the progress made by the Borrower in its restructuring and/or in the liquidation of its assets;
- (xi) the Bank will be satisfied with the progress which the Borrower's Affiliates are making in their restructuring and/or liquidation of their assets and undertaking in their respective jurisdictions;
- (xii) such other documents and assurances as the Bank may reasonably request.

The Bank shall have the right to waive compliance with any of the Conditions Precedent in its sole and unfettered discretion, provided that the waiver by the Bank of any Condition Precedent shall be effective solely in respect of the specific disbursement being requested by the Borrower, and the waiver shall not operate as a waiver of such Condition Precedent in respect of any other disbursement being requested.

20. **Representations and Warranties of the Borrower**

The Borrower represents and warrants to the Bank, which representations and warranties are repeated as of the time of each Borrowing and are a Condition Precedent to each Borrowing and as of the time at which each payment of interest or fees is due hereunder, that:

- (a) the Borrower is a corporation validly incorporated and existing under the laws of Ontario and is duly registered or qualified to carry on business in all jurisdictions where the nature of its properties, assets or business makes such registration or qualification necessary or desirable;
- (b) the execution and delivery of this Agreement and the Security Documents have been duly authorized by all necessary actions and do not (i) violate any law, regulation or rules by which the Borrower is bound, (ii) violate any provision of its constating documents, by-laws or any unanimous shareholders' agreement to which it is subject, (iii) result in a breach of, or a default under, any agreement or instrument to which either it is a party or by which it or any of its properties or assets may be bound or affected, (iv) result in the creation of any encumbrance on any of its properties or assets, except as contemplated herein, and (v) have been approved by the Court as contemplated in this Agreement.
- (c) it is in compliance with all Applicable Laws, including, without limitation, those dealing with the environment;
- (d) the Borrower has filed all material income tax returns which were required to be filed, paid or made provision for payment of all material taxes (including interest and

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- penalties) which are due and payable, and provided adequate reserves for payment of any tax, the payment of which is being contested;
- (e) no consent, approval, order, authorization, licence, exemption or designation of or by any governmental body or person is required in connection with the execution, delivery and performance of this Agreement or the Security Documents or the transactions contemplated hereby on behalf of the Borrower and no registration, qualification, designation, declaration or filing with any governmental body is necessary to enable or empower either of them to perform their respective obligations under this Agreement, except such as have been made or obtained, which are in full force and effect;
 - (f) the initial Order as amended remains in full force and effect, and each of the initial and any other order amending the initial Order is satisfactory to the Bank;

The representations and warranties made in this Section shall continue in full force and effect until payment and performance of all debts, liabilities and obligations under this Agreement.

21. **Covenants**

Without affecting or limiting in any way the right of the Bank to terminate its commitment and demand payment of all Borrowings under the Credit Facility, the Borrower covenants and agrees with the Bank while this Agreement is in effect or any Borrowings are outstanding:

- (a) to forthwith provide to the Bank all material financial, operating and other information and reports which the Bank may in its sole discretion require;
- (b) not to do anything to effect the ranking of this debt;
- (c) to maintain its corporate existence as a validly existing corporate entity;
- (d) to provide the Bank with access to its business and records as may be required from time to time including, with limitation, its monthly, quarterly and annual financial forecasts and plans;
- (e) to insure and to keep insured with insurers acceptable to the Bank all properties customarily insured by companies carrying on similar business in similar locations against all risks, including, but not limited to business interruption, with loss payable to the Bank as loss payee;
- (f) to file all income tax returns which are to be filed from time to time, to pay or make provision for payment of all taxes (including interest and penalties) and Potential Preferred Claims which are or will become due and payable and to provide adequate reserves for the payment of any tax, the payment of which is being contested;
- (g) to comply with all Applicable Laws including, without limitation, those dealing with the environment and to hold the Bank harmless for any costs or expenses which it incurs for any environment-related liabilities which exist now or in the future with respect to the Borrower's property;

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- (h) not to grant, create, assume or suffer to exist any mortgage, charge, lien, pledge, security interest or other encumbrance affecting any of its properties, assets or other rights, without the prior written consent of the Bank;
- (i) not to sell, transfer, convey, lease, assign or otherwise dispose of any part of its undertaking, property, assets or rights other than inventory in the ordinary course of business and on commercially reasonable terms, without the prior written consent of the Bank;
- (j) not to change its name or merge, amalgamate, consolidate or otherwise enter into any other form of business combination with any other person without the prior written consent of the Bank, unless as a condition precedent to the closing of any such transaction all Borrowings hereunder are repaid in full;
- (k) not to make any capital expenditures without the Bank's prior written consent;
- (l) not to directly or indirectly, guarantee or otherwise provide for on a direct or indirect contingent basis, the payment of any monies or performance of any obligations by any third party, except as may be consented to in writing by the Bank from time to time;
- (m) to refrain from making investments in, or acquiring the shares of, any third party without the prior written consent of the Bank such consent not to be unreasonably withheld. This provision does not extend to existing Affiliates;
- (n) to prepare revisions to the Cash Flow Plan in conjunction with the Monitor, so that such Cash Flow Forecasts and revisions reflect the current status of the Borrower on an ongoing basis, and to provide copies thereof to the Bank and to the Monitor for their respective approval;
- (o) to update the Employee Retention Plan from time to time so as to reflect the actual status of the Borrower's Retained Employees and amounts remaining secured thereunder from time to time;
- (p) to prepare and maintain on a current basis a plan to implement its restructuring and/or liquidation ("Action Plan") and to cause the Action Plan to be updated so that it is current at all times during the Restructuring Period, and to forthwith deliver copies thereof to the Monitor and the Bank.

22. **Employee Retention Plan**

The Borrower has advised the Bank that to retain the potential to reorganize its affairs as a going concern within the CCAA and/or to retain asset value in liquidation proceedings so as to maximize the potential recovery for the Bank and its other creditors, the Borrower needs to retain certain of its employees so as to carry on its business undertaking. As provided for in the Order, the Borrower has established the Employee Retention Plan so as to retain the employees required for this purpose during the restructuring period, and the Company will grant the Employee Retention Plan Charge.

In the event that employees become entitled to payment of Required Amounts as defined in the Employee Retention Plan, which are not funded by the Borrower, the Borrower hereby irrevocably authorizes and directs the Bank to advance Borrowings for the Borrower

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sufficient to fund the Required Amounts. The Bank shall have the right, but not the obligation to fund Required Amounts. All amounts disbursed by the Bank hereunder shall conclusively be deemed to be Borrowings.

23. **Expenses**

The Borrower shall pay the reasonable fees and expenses incurred by the Bank for its legal (on a solicitor and client basis) and other advisors in connection with the preparation, negotiation, documentation, operation and monitoring of the Credit Facility and the Security Documents, including the enforcement of the Bank's rights under the Credit Facility whether or not any amounts are advanced hereunder.

24. **Indemnity**

The Borrower shall indemnify the Bank from and against all losses, damages, expenses and liabilities (including legal fees on a solicitor and client basis) which the Bank sustains or incurs as a consequence of any breach by the Borrower under any of the provisions of this Agreement or of any document or instrument delivered in connection hereunder.

25. **Limit on Rate of Interest**

The Borrower shall not be obliged to pay any interest under or in connection with this Agreement to the extent such interest exceeds the effective annual rate of interest on the credit advanced hereunder that would be lawfully permitted under the Criminal Code. For purposes of this section, "interest" and "credit advanced" have the meanings ascribed to such terms in the Criminal Code, and the "effective annual rate of interest" shall be calculated in accordance with generally accepted actuarial practices and principles.

26. **Judgement Currency**

If for the purpose of obtaining judgment in any court in any jurisdiction with respect to this agreement, it is necessary to convert into the currency of such jurisdiction (the "Judgment Currency") any amount due hereunder in any currency other than the Judgement Currency, then such conversion shall be made at the rate of exchange prevailing on the business Day before the day on which judgment is given. For this purpose "rate of exchange" means the rate at which the Bank will, on the relevant date, sell such currency in Toronto, Ontario against the Judgment currency.

In the event that there is a change in the rate of exchange prevailing between the Business Day before the day on which the judgment is given and the date of payment of the amount due, the Borrower will, on the date of payment, pay such additional amounts (if any) or be entitled to receive reimbursement of such amount, if any, as may be necessary to ensure that the amount paid on such date is the amount in the Judgement Currency which, when

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converted at the rate of exchange prevailing on the date of payment, is the amount then due under this Agreement in such other currency. Any additional amount due from the Borrower under this Section will be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of this Agreement.

27. **Notices**

Any notice or demand hereunder shall be given in writing by telecopies or letter, in each case addressed to an officer of the receiving party. A telecopies communication shall be deemed received on the date of transmission provided such transmission is received prior to 5:00 p.m. on a day on which the receiving party's office is open for normal business, and otherwise on the next such day. A letter shall be deemed received when hand-delivered to the receiving party, at the address shown herein or at such other address as the receiving party may notify the other from time to time. Each party shall be bound by any notice given hereunder and entitled to act in accordance therewith, unless otherwise agreed. The addresses of the parties for the purpose hereof shall be:

to the Borrower:

Gandalf Technologies Inc./Gandalf Canada Ltd.
130 Colonnade Road South
Nepean, Ontario K2E 7M4

Attention: President
Telecopier: (613) 274-6505

cc: Osler, Hoskin & Harcourt
Suite 1500
50 O'Connor Street
Ottawa, Ontario K1P 6L2

Attention: R. Groulx
Telecopier: (613) 235-2867

to the Bank

Royal Bank of Canada
90 Sparks Street
Ottawa, Ontario K1P 5T6

Attention: Senior Manager, Advanced Technology
Telecopier: (613) 564-4527

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cc: Gowling, Strathy & Henderson
Suite 2600
160 Elgin Street
Ottawa, Ontario K1P 1C3

Attention: G.P. King
Telecopier: (613) 563-9869

or such other address for delivery as each party from time to time may notify the other as aforesaid.

28. **Assignment**

This Agreement shall be binding upon and enure to the benefit of the Bank and the Borrower and their respective successors and permitted assigns. The Borrower cannot assign or transfer all or any of its rights and obligations hereunder without the prior written consent of the Bank.

29. **Set-Off**

The Bank is authorized (but not obligated), at any time and without notice, to apply any credit balance (whether or not then due) to which the Borrower is then beneficially entitled on any account (in any currency) at any branch or office of the Bank in or towards satisfaction of the obligations and liabilities of the Borrower due to the Bank under this Agreement. For that purpose the Bank is authorized to use all or any part of any such credit balance to buy such other currencies as may be necessary to effect such application.

30. **Waivers and Amendments**

No failure to exercise and no delay in exercising on the part of the Bank, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other right, power or privilege. No amendment, modification or waiver of any provision of this Agreement or consent to any departure by the Borrower from any provision of this agreement will in any event be effective unless it is in writing signed by the Borrower and the Bank, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given by the Bank.

31. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument, and any party may execute this agreement by signing any counterpart of it.

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32. **Further Assurances**

The Borrower shall from time to time promptly upon the request of the Bank take such action and execute and deliver such further documents, as shall be reasonably required in order to fully perform the terms of, and to carry out the intention of, this Agreement.

33. **Severability**

If any provision of this Agreement is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate, affect or impair any of the remaining provisions hereof or invalidate or render unenforceable the provision concerned in any other jurisdiction.

34. **Governing Law and Submission to Jurisdiction**

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and of Canada applicable therein. The Borrower irrevocably submits to the non-exclusive jurisdiction of the courts of such Province and acknowledges the competence of such courts and irrevocably agrees to be bound by a judgment of any such Court.

35. **Whole Agreement**

This Agreement and any agreements delivered pursuant to or referred to in this agreement constitute the whole and entire agreement between the parties in respect of the Credit Facility, and cancel and supersede any prior written or verbal agreements including undertakings, declarations or representations made with respect thereto.

36. **Effective Date**

Except as otherwise provided in this Agreement, the date on which this agreement becomes effective is the date the offer is accepted by the Borrower.

37. **Expiry Date**

This offer is open for acceptance until close of business at the Branch of Account on July 23, 1997, unless extended in writing by the Bank. If the Conditions Precedent have not been satisfied in respect of the first disbursement of Borrowings hereunder on or before August 15th, 1997, the Bank shall have the right to terminate this Agreement and after such termination, neither the Bank nor the Borrower shall have any rights or obligations hereunder.

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Please acknowledge your acceptance of the above terms and conditions by signing the attached copy of this letter in the space provided below and returning it to the undersigned.

Yours truly,



Morten N. Friis
Vice-President
Business Banking - Ottawa

We acknowledge and accept the terms and conditions of this agreement on the 23 day of July, 1997.

GANDALF TECHNOLOGIES INC.

By:



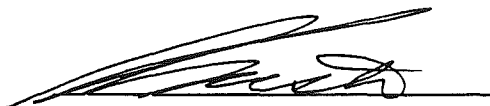
Name/

Title:

RICHARD BUSTO PRESIDENT & CEO

GANDALF CANADA LTD.

By:



Name/

Title:

RICHARD BUSTO PRESIDENT & CEO

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SCHEDULE "A"

Schedule "A" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

DEFINITIONS:

"Affiliate" of a person means any person which directly or indirectly, controls or is controlled by or is under common control with such first mentioned person, and for the purposes of this definition, "control" (including with correlative meanings the terms "controlled by" and "under common control with") means the power to direct or cause the direction of the management and policies of any person, whether through the ownership of shares or by contract or otherwise, and without restricting the above, one corporate body shall be deemed to be affiliated with another corporate body if one of them is the Subsidiary of the other or both are subsidiaries of the same corporate body.

"Agreement" means collectively this Agreement and all Schedules attached hereto.

"Applicable Law" means, in respect of any person, property, transaction or event, all present or future applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, guidelines, orders and policies of any governmental body having jurisdiction.

"Branch of Account" means the Bank's branch at 90 Sparks Street, Ottawa, Ontario.

"Business Day" means a day, excluding Saturday, Sunday, and any other day which shall be in the City of Toronto, Ontario a legal holiday or a day on which banking institutions are closed and, with respect to a Libor Loan, "business Day" means a day with the foregoing characteristics which is also a day on which dealings in US Dollar deposits by and between leading banks in the London interbank market may be conducted.

"Canadian Dollars" and the symbols "Cdn\$", "C\$" and "\$" each means lawful money of Canada.

"Cash Flow Plan" means the plan forecasting the expenditure of funds by the Company which plan and revisions thereto has been approved by the Bank and the Monitor from time to time.

"Equivalent Amount" determines the amount of availability only and means on any date, the amount of Canadian Dollars required to convert from Canadian Dollars to US Dollars at the rate of 1.35 Canadian Dollars for 1.00 US\$.

The Equivalent amount will be amended by the Bank from time to time to reflect changes in the rate of exchange and such amendments will be advised to the Borrower in writing:

CAK

SCHEDULE "A" (cont'd)

"GAAP" means generally accepted accounting principles in effect from time to time in Canada applied in a consistent manner from period to period.

"Interest Determination Date" means, with respect to a Libor Loan, the date with is 2 Business Days prior to the first day of the Libor Interest Period applicable to such Libor Loan.

"Material Subsidiary" means any subsidiary of the Borrower now or hereinafter located in Canada, the United States, the United Kingdom, France or the Netherlands, as well as nay Subsidiary of the Borrower which is identified as being a Material subsidiary by the Bank in writing to the Borrower from time to time and **"Material Subsidiaries"** means any such subsidiaries of the Borrower.

"Potential Preferred Claims" means amounts accrued or owing for wages, vacation pay, employee benefits or pensions, municipal tax, corporate tax, sales tax, Canadian goods and services tax, source deductions and remittances (including income tax, Canada Pension Plan and unemployment insurance obligations), Government royalties, purchase money security interests and any other statutory preferred claims as well as the aggregate of the next three months rent payments for each rental property of the Borrower.

"Royal Bank Prime" (in this Agreement, **"RBP"**) means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on Canadian dollar commercial loans made in Canada.

"Royal Bank US Base Rate" (in this Agreement, **"RBUSTR"**) means the annual rate of interest announced by the Bank from time to time as being a reference rate then in effect for determining interest rates on US Dollar commercial loans made in Canada.

"Subsidiary" of a person means (i) any corporation of which the person and/or any one or more of its Affiliates, holds, directly or beneficially, other than by way of security only, securities to which are attached more than 50% of the votes that may be cast to elect directors of such corporation, or (ii) a corporation of which such person has through operation of law or otherwise, the ability to elect or cause the election of a majority of the directors of such corporation and **"subsidiaries"** of such person mean all such corporations.

"Term Period" means the period of time from the date of this agreement to and including the Maturity Date:

"US Dollars" and **"US\$"** each means lawful money of the United States of America in same day immediately available funds or, if such funds are not available, the form of money of the United States of America that is customarily used in the settlement of international banking transactions on the day payment is due hereunder.

CA

SCHEDULE 'B'

Schedule "B" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

OFFICER'S COMPLIANCE CERTIFICATE

I, _____, of the City of _____ in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22nd, 1997, between the Borrower and Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief;
 - (a) the representations and warranties contained in the Agreement are true and correct;
 - (b) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (c) the disbursement of Borrowings requested by the Borrower in the amount of \$_____ is required by the Borrower to fund its operations in accordance with the Cash Flow Plan, and
 - (d) after the disbursement of Borrowings requested herein, the amount required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$_____.

DATED this _____ day of _____, 1997.

By: _____

By: _____

Name/
Title _____

Name/
Title: _____

CA

OFFICER'S COMPLIANCE CERTIFICATE

I, RICHARD BUSTO, of the City of OTTAWA in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22, 1997, between the Borrower and the Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief
 - (a) the representations and warranties contained in the Agreement are true and correct;
 - (b) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (c) The disbursement of Borrowings requested by the Borrower in the amount of US \$50,000 is required by the Borrower to fund its operations in accordance with the Cash Flow Plan, and,
 - (d) after the disbursement of Borrowings requested therein, the amount required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$ 1,350,000 U.S.

DATED this 8th day of August, 1997.

BY: [Signature]

Name/
Title

By: [Signature]

Name/
Title Richard Busto, President & CEO

SCHEDULE 'C'

Schedule "C" to the Agreement dated as of the 22nd day of July, 1997 between Gandalf Technologies Inc. and Gandalf Canada Ltd. as Borrower and Royal Bank of Canada as the Bank.

MONITOR'S COMPLIANCE CERTIFICATE

I, _____, of the City of _____ in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Deloitte & Touche Inc., the Court Appointed Monitor of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22nd, 1997, between the Borrower and Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief;
 - (a) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (b) the disbursement of Borrowings requested by the Borrower in the amount of \$_____ is required by the Borrower to fund its operations and the disbursement is in accordance with the Cash Flow Plan, and
 - (c) after the disbursement of Borrowings requested herein, the amounts required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$_____.

DATED this _____ day of _____, 1997.

By: _____

Name/
Title _____

CA

MONITOR'S COMPLIANCE CERTIFICATE

I, David Boddy, of the City of Ottawa in the Province of Ontario, and hereby certify as follows:

1. That I am an officer of Deloitte & Touche Inc., and the Court Appointed Monitor of Gandalf Technologies Inc. and Gandalf Canada Ltd. (the "Borrower").
2. That I have read the provisions of the Letter Agreement (the "Agreement") dated July 22, 1997, between the Borrower and the Royal Bank of Canada (the "Bank") which are relevant to this compliance certificate and have made such examination or investigation as is reasonably necessary to enable me to express an informed opinion on the matters contained in this certificate. Terms defined in the agreement have the same meanings where used in this Certificate. As of the date of this Certificate, to the best of my knowledge and belief
 - (a) the representations and warranties contained in the Agreement are true and correct;
 - (b) the covenants contained in the agreement have not been breached and there is no reason to believe that any of such covenants will be breached;
 - (c) The disbursement of Borrowings requested by the Borrower in the amount of US \$50,000 is required by the Borrower to fund its operations in accordance with the Cash Flow Plan, and,
 - (d) after the disbursement of Borrowings requested therein, the amount required to fully fund all remaining disbursements required to be made under the Employee Retention Plan, is approximately \$1,350,000. U.S.

DATED this 8th day of August, 1997.

BY: 

Name/
Title

By: 

Name/ David Boddy
Title Senior VP Deloitte & Touche Inc. and
Court Appointed Monitor of GTI and GC

TAB D

Appendix D

Gandalf Technologies Inc. and Gandalf Canada Ltd. Calculation of Employee Retention Plan Bonus Pool

		Converted USD (Note 1)	USD	CDN
Amount of Pool for Distribution				
	Total Realizations	24,895,903	20,978,199	4,897,130
	Less: Cost of Realizations	2,258,935	487,463	2,214,240
	Net Realizations	22,636,968	20,490,736	2,682,890
	Limit Per Agreement	11,500,000		
	Total for Bonus Pool Calculation	11,136,968		
10% to Employee Retention Bonus Poo		\$ 1,113,696.80		
Distributions to Eligible Employees (amounts declared in USD)				
	First Payment	280,500	Note 2	
	Second Payment	374,000	Note 3	
	Third and Final Payment	374,000	Note 4	
	Total Payments	\$ 1,028,500.00		
Excess	10% to Employee Retention Bonus Poo	1,113,697		
	Total Payments	1,028,500		
	Amount remaining	\$ 85,196.80		
	Number of eligible employees	187		
	Excess amount per employee	\$ 456	Note 5	

Notes:

- (1) Converted USD to CDN at a rate of \$1.25
- (2) \$1,500 per employee x 187 employees
- (3) \$2,000 per employee x 187 employees
- (4) \$2,000 per employee x 187 employees
- (5) See notes in Monitor's Final Court Report, section "Employee Retention Bonus Pool"

TAB E

Appendix E

Gandalf Technologies Inc. and Gandalf Canada Ltd. Calculation of Employee Retention Plan Bonus Pool

Last Name	First Name					Outstanding ERP Payments		
		First Distribution	Second Distribution	Third Distribution	Total	GSC	GDCL	GCL
Ahmed	Mustaque	\$ 1,500	\$ 2,000	\$ 2,000	\$ 5,500		\$ 2,000	
Albota	Kim	1,500	2,000	2,000	5,500			2,000
Almendrades	Mariana	1,500	2,000	2,000	5,500			
Andrews	Neil	1,500	2,000	2,000	5,500			
Ashely	Peter	1,500	2,000	2,000	5,500			
Athwal	Jagir	1,500	2,000	2,000	5,500		2,000	
Atkinson	Chris	1,500	2,000	2,000	5,500			2,000
Ayotte	Charles	1,500	2,000	2,000	5,500			
Bacon	Yvon	1,500	2,000	2,000	5,500			
Baines	Stan	1,500	2,000	2,000	5,500			2,000
Baird	Sandra	1,500	2,000	2,000	5,500			
Barnes	Jeff	1,500	2,000	2,000	5,500			
Barr	William	1,500	2,000	2,000	5,500	2,000		
Barrett	Darlene	1,500	2,000	2,000	5,500			
Bazinet	Mike	1,500	2,000	2,000	5,500			
Beaumont	Paul	1,500	2,000	2,000	5,500			
Biederman	John	1,500	2,000	2,000	5,500	2,000		
Bihau-Faou	Patrick	1,500	2,000	2,000	5,500			2,000
Blackhurst	Anthony	1,500	2,000	2,000	5,500			
Bochert	Gary	1,500	2,000	2,000	5,500			
Bourdon	Wayne	1,500	2,000	2,000	5,500			
Boyle	Mike	1,500	2,000	2,000	5,500		2,000	
Bradbury	Sean	1,500	2,000	2,000	5,500			
Bruce	Mary	1,500	2,000	2,000	5,500			2,000
Buchannan	Heather	1,500	2,000	2,000	5,500			
Burland	Paul	1,500	2,000	2,000	5,500			
Burton	Paul	1,500	2,000	2,000	5,500			
Busto	Richard	1,500	2,000	2,000	5,500			
Byfield	Henri	1,500	2,000	2,000	5,500			
Cammarata	James	1,500	2,000	2,000	5,500	2,000		
Campbell	Lisa	1,500	2,000	2,000	5,500			
Casey	Theresa	1,500	2,000	2,000	5,500			
Chamber	Carmen	1,500	2,000	2,000	5,500			
Chao	Sean	1,500	2,000	2,000	5,500			
Charron	Jean Claude	1,500	2,000	2,000	5,500			
Chen	Kailai	1,500	2,000	2,000	5,500			2,000
Cianciusi	Dianna	1,500	2,000	2,000	5,500			
Clark	Dawn	1,500	2,000	2,000	5,500		2,000	
Cliff-Jones	Julie	1,500	2,000	2,000	5,500			
Croussette	Jacques	1,500	2,000	2,000	5,500			
Cushing	Steve	1,500	2,000	2,000	5,500			
D'Amore	Roxanne	1,500	2,000	2,000	5,500	2,000		
Darby	Kevin	1,500	2,000	2,000	5,500		2,000	
Davie	Sue	1,500	2,000	2,000	5,500			
Dean	Stella	1,500	2,000	2,000	5,500			2,000
Dell'Erba	Marty	1,500	2,000	2,000	5,500			
DeRyke	Kim	1,500	2,000	2,000	5,500			
Deyell	David	1,500	2,000	2,000	5,500			2,000

Appendix E

Gandalf Technologies Inc. and Gandalf Canada Ltd. Calculation of Employee Retention Plan Bonus Pool

Last Name	First Name	First	Second	Third	Total	Outstanding ERP Payments		
						GSC	GDCL	GCL
		Distribution	Distribution	Distribution				
Dicaire	Louise	1,500	2,000	2,000	5,500			
Dolliver	Byron	1,500	2,000	2,000	5,500			2,000
Donnelly	Paul	1,500	2,000	2,000	5,500			
Doucette	Don	1,500	2,000	2,000	5,500			
Dowdell	Chris	1,500	2,000	2,000	5,500			
Dumouchel	Pierre	1,500	2,000	2,000	5,500			2,000
Dunn	Steve	1,500	2,000	2,000	5,500		2,000	
Duxbury	Shelia	1,500	2,000	2,000	5,500		2,000	
Egan	Brian	1,500	2,000	2,000	5,500			2,000
Elhassani	Tarek	1,500	2,000	2,000	5,500			2,000
Eskelson	Andy	1,500	2,000	2,000	5,500			
Evangelista	Mario	1,500	2,000	2,000	5,500			
Fenn (née Hoganson)	Carolyn	1,500	2,000	2,000	5,500			
Filler	Steve	1,500	2,000	2,000	5,500			
Fischer	Ronnie	1,500	2,000	2,000	5,500			
Fisher	Darla	1,500	2,000	2,000	5,500	2,000		
Fituri	Ellafi	1,500	2,000	2,000	5,500			
Gagnon	Gordon	1,500	2,000	2,000	5,500			
Galipeau (née Arcand)	Johanne	1,500	2,000	2,000	5,500			
Gallagher	Karen	1,500	2,000	2,000	5,500			
Gardiner	Keith	1,500	2,000	2,000	5,500			
Gardiner	Roy	1,500	2,000	2,000	5,500		2,000	
Garnier	Donald	1,500	2,000	2,000	5,500			2,000
Garnier	Marie	1,500	2,000	2,000	5,500			
Gascon	Christian	1,500	2,000	2,000	5,500			2,000
Gilfedder	Steve	1,500	2,000	2,000	5,500			
Goddard	Roger	1,500	2,000	2,000	5,500			
Gordon	Ann	1,500	2,000	2,000	5,500			
Guerard	Kim	1,500	2,000	2,000	5,500			
Hanamn	Anne	1,500	2,000	2,000	5,500			
Hanisch	John	1,500	2,000	2,000	5,500			
Hillers	Rod	1,500	2,000	2,000	5,500			
Ho	Winga	1,500	2,000	2,000	5,500			
Houghton	D.E.	1,500	2,000	2,000	5,500			
Huddleson	David	1,500	2,000	2,000	5,500			2,000
Jenkinson	Paul	1,500	2,000	2,000	5,500			
Jones	Catherine	1,500	2,000	2,000	5,500			
Jones	Dave	1,500	2,000	2,000	5,500			
Kecskemeti	Nicholas	1,500	2,000	2,000	5,500			2,000
Kellett	Margaret Ann	1,500	2,000	2,000	5,500			
Kelly	Maureen	1,500	2,000	2,000	5,500			
Keoghan	Lynne	1,500	2,000	2,000	5,500			
Kerr	Melanie	1,500	2,000	2,000	5,500			
Kneif	Cindy	1,500	2,000	2,000	5,500			2,000
Lam	Cindy	1,500	2,000	2,000	5,500			
Lang	Roger	1,500	2,000	2,000	5,500			
Lapansee	Thomas	1,500	2,000	2,000	5,500			
Laws	Margret	1,500	2,000	2,000	5,500			

Appendix E

Gandalf Technologies Inc. and Gandalf Canada Ltd. Calculation of Employee Retention Plan Bonus Pool

Last Name	First Name					Outstanding ERP Payments		
		First Distribution	Second Distribution	Third Distribution	Total	GSC	GDCL	GCL
Leblanc	Pierre	1,500	2,000	2,000	5,500			
Little	Vidmond	1,500	2,000	2,000	5,500	2,000		
Loeffler	Roy	1,500	2,000	2,000	5,500			
Longchamps	Peter	1,500	2,000	2,000	5,500			
Louiselle	Vance	1,500	2,000	2,000	5,500			
Lungu	Adrian	1,500	2,000	2,000	5,500			2,000
Lyons	Alan	1,500	2,000	2,000	5,500			2,000
MacLennan	Barb	1,500	2,000	2,000	5,500			
Major	Andrew	1,500	2,000	2,000	5,500			2,000
Major	Mike	1,500	2,000	2,000	5,500			2,000
Manzer	Jamie	1,500	2,000	2,000	5,500			
Mares	Miroslav	1,500	2,000	2,000	5,500			2,000
Marette	Mike	1,500	2,000	2,000	5,500	2,000		
Markell	Paul	1,500	2,000	2,000	5,500			
McCue	Sharon	1,500	2,000	2,000	5,500			2,000
McEnaney	Galen	1,500	2,000	2,000	5,500			2,000
McInnes	Russ	1,500	2,000	2,000	5,500			2,000
Mekasha	Nebill	1,500	2,000	2,000	5,500			2,000
Meredith	Alanna	1,500	2,000	2,000	5,500			
Meredith	Bruce	1,500	2,000	2,000	5,500			2,000
Millington	Amanda	1,500	2,000	2,000	5,500			
Minelli	Pam	1,500	2,000	2,000	5,500			
Moloughney	Wil	1,500	2,000	2,000	5,500			2,000
Mongrain	Dan	1,500	2,000	2,000	5,500			
Moore	Bonnie	1,500	2,000	2,000	5,500			
Moore	Michelle	1,500	2,000	2,000	5,500		2,000	
Morin	Tom	1,500	2,000	2,000	5,500			
Morris	Damien	1,500	2,000	2,000	5,500			
Murray	Mark	1,500	2,000	2,000	5,500		2,000	
Neelakantan	Natarajah	1,500	2,000	2,000	5,500			
Neilson (Leblanc)	Connie	1,500	2,000	2,000	5,500			
Nelson	Dave	1,500	2,000	2,000	5,500		2,000	
Nguten	Quy	1,500	2,000	2,000	5,500			
Nguyen	Hoa	1,500	2,000	2,000	5,500			2,000
Nguyen	Loc	1,500	2,000	2,000	5,500			
O'Driscoll	Kathy	1,500	2,000	2,000	5,500			
Ong	Luoc	1,500	2,000	2,000	5,500			
Ostler	Ivan	1,500	2,000	2,000	5,500			
Parmar	Sukhvinder	1,500	2,000	2,000	5,500			
Perks	David	1,500	2,000	2,000	5,500			2,000
Perrier	James	1,500	2,000	2,000	5,500			
Phillion	Joanne	1,500	2,000	2,000	5,500			
Pollock (Née Howard)	Cynthia	1,500	2,000	2,000	5,500			
Quibell	Ross	1,500	2,000	2,000	5,500			
Quinn	Daniel	1,500	2,000	2,000	5,500			
Reich	Tim	1,500	2,000	2,000	5,500			
Rennie	Michael	1,500	2,000	2,000	5,500	2,000		
Richards	Eion	1,500	2,000	2,000	5,500			

Appendix E

Gandalf Technologies Inc. and Gandalf Canada Ltd. Calculation of Employee Retention Plan Bonus Pool

Last Name	First Name					Outstanding ERP Payments		
		First Distribution	Second Distribution	Third Distribution	Total	GSC	GDCL	GCL
Rimonti	Emilio	1,500	2,000	2,000	5,500			
Robertson	Nancy	1,500	2,000	2,000	5,500			
Rollin	Ghislaine	1,500	2,000	2,000	5,500			
Sanger	George	1,500	2,000	2,000	5,500			
Savage	Don	1,500	2,000	2,000	5,500			
Shearer	Denise	1,500	2,000	2,000	5,500			
Simzer	Kelly	1,500	2,000	2,000	5,500			2,000
Slade	Bill	1,500	2,000	2,000	5,500			2,000
Smith	Cheryl	1,500	2,000	2,000	5,500			
Smith	Frank	1,500	2,000	2,000	5,500			2,000
Smith	Greg	1,500	2,000	2,000	5,500			
Smith	Stephen	1,500	2,000	2,000	5,500	2,000		
Smith	Steve	1,500	2,000	2,000	5,500			
Somma (Née Robinson)	Kate	1,500	2,000	2,000	5,500			
Southwick	Dave	1,500	2,000	2,000	5,500			
Spirito	Linda	1,500	2,000	2,000	5,500			
St. Louis	Terry	1,500	2,000	2,000	5,500			2,000
Steddum	Clyde	1,500	2,000	2,000	5,500		2,000	
Steele	Marion	1,500	2,000	2,000	5,500			
Steen	Tom	1,500	2,000	2,000	5,500	2,000		
Swaab	Don	1,500	2,000	2,000	5,500			
Theodore	Paul	1,500	2,000	2,000	5,500			
Tran	My Van	1,500	2,000	2,000	5,500			
Triemstra	Charles	1,500	2,000	2,000	5,500			2,000
Truong	Helen	1,500	2,000	2,000	5,500			
Van Ginkel	Joanne	1,500	2,000	2,000	5,500			
VanKessel	Barb	1,500	2,000	2,000	5,500			2,000
Vo	Quan	1,500	2,000	2,000	5,500			
Vogel	Michael	1,500	2,000	2,000	5,500	2,000		
Volkaerts	Paul	1,500	2,000	2,000	5,500		2,000	
Vorpahl	Sarah	1,500	2,000	2,000	5,500	2,000		
Waghom	Perry	1,500	2,000	2,000	5,500			2,000
Weiss	Paul	1,500	2,000	2,000	5,500	2,000		
Weston	Kim	1,500	2,000	2,000	5,500			
Whelly	Lee	1,500	2,000	2,000	5,500			2,000
Wild	Mark	1,500	2,000	2,000	5,500			
Williamson	Steve	1,500	2,000	2,000	5,500		2,000	
Wright	Eamonn	1,500	2,000	2,000	5,500	2,000		
Yaehne	Rod	1,500	2,000	2,000	5,500			
Yip	Judy	1,500	2,000	2,000	5,500			
Zhang	Anjing	1,500	2,000	2,000	5,500			2,000
Zimmerman	Sheldon (Estate of	1,500	2,000	2,000	5,500			
Zinman	David	1,500	2,000	2,000	5,500			
		\$ 280,500	\$ 374,000	\$ 374,000	\$1,028,500	\$28,000	\$ 28,000	\$ 78,000

GCL CDN amount is \$95,295.20

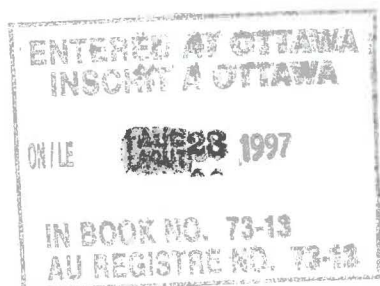
TAB F

1. THIS COURT ORDERS that the time for service of this notice of motion and supporting material is hereby abridged, and this motion is properly returnable today; and, further, that the requirement for the service of the notice of motion and supporting material upon any interested parties, other than the Royal Bank of Canada and The Glenview Corporation, is hereby dispensed with.

2. THIS COURT ORDERS that paragraph 23 of the Order of the Honourable Madam Justice Aitken dated July 25, 1997 (the "CCAA Order") is hereby varied to extend the time for the filing of a plan of compromise or arrangement (the "Plan"), to September 19, 1997.

3. THIS COURT FURTHER ORDERS that paragraph 24 of the CCAA Order is hereby varied to extend the time in which the Applicants shall summon and convene meetings between the Applicants and their respective classes of creditors under the Plan to consider and vote upon the Plan, to October 31, 1997.

4. THIS COURT FURTHER ORDERS that paragraph 3 of the CCAA Order is hereby varied to extend the Stay Termination Date to November 30, 1997.



"Judy Bell J"

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-cv-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

FILED ONT. COURT (General Div.)
THE REGIONAL MUNICIPALITY
OF OTTAWA-CARLETON
AUG 28 1997
DÉPOSÉ À LA COUR DE L'ONTARIO
(Div. Général) LA MUNICIPALITÉ RÉGIONALE
D'OTTAWA-CARLETON

ORDER

F#3716105

OSLER, HOSKIN & HARCOURT
Suite 1500
50 O'Connor Street
Ottawa, Ontario
K1P 6L2

HEATHER P. GRIFFITHS
(613) 235-7234
(613) 235-2867 (fax)

Solicitors for the Applicants
(Box 309)

TAB G

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE *Justice*) *Fri* DAY, THE *19th* DAY
J Chadwick)
) OF SEPTEMBER, 1997

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

- and -

IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43

- and -

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.

Applicants

ORDER

THIS MOTION made by Gandalf Technologies Inc. ("Gandalf") and Gandalf Canada Ltd. ("GCL") (collectively the "Applicants") was heard this day at the Court House, 161 Elgin Street, Ottawa, ON.

ON READING the notice of motion of the Applicants, and the affidavit of Richard D. Busto, on hearing the submissions of counsel for the Applicants, and on being advised

by counsel that The Glenview Corporation and the Royal Bank of Canada did not oppose the relief sought,

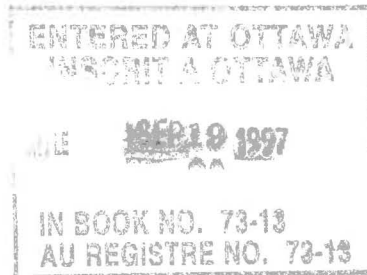
1. THIS COURT ORDERS that the time for service of this notice of motion and supporting material is hereby abridged, and this motion is properly returnable today; and, further, that the requirement for the service of the notice of motion and supporting material upon any interested parties, other than the Royal Bank of Canada and The Glenview Corporation, is hereby dispensed with.

2. THIS COURT ORDERS that paragraph 2 of the Order of the Honourable Madam Justice Bell dated August 28, 1997 (the "Extension Order") is hereby varied to extend the time for the filing of a plan of compromise or arrangement (the "Plan"), to October 3, 1997.

3. THIS COURT FURTHER ORDERS that paragraph 3 of the Extension Order is hereby varied to extend the time by which the Applicants shall summon and convene meetings between the Applicants and their respective classes of creditors under the Plan to consider and vote upon the Plan, to November 14, 1997.

4. THIS COURT FURTHER ORDERS that paragraph 4 of the Extension Order is hereby varied to extend the Stay Termination Date to December 15, 1997.

"Chadwick J"



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-cv-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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19/09/97 9:23AM ST1026

TAB H

PLAN OF COMPROMISE OR ARRANGEMENT

Pursuant to the
Companies' Creditors Arrangement Act (Canada)
concerning, affecting and involving

GANDALF TECHNOLOGIES INC.

FILED October 3, 1997

TABLE OF CONTENTS

PAGE NO.

ARTICLE 1

INTERPRETATION

1.1	Definitions	vi
1.3	Schedules	8
1.4	Successors and Assigns	8
1.5	Governing Law	8

ARTICLE 2

PURPOSE AND EFFECT OF PLAN

2.1	Purpose	9
2.2	Overview of Plan	9

ARTICLE 3

CREDITORS

3.1	Classification of Creditors	10
3.2	Unaffected Obligations	10

ARTICLE 4

TREATMENT OF CREDITORS

4.1	Bank	11
4.2	Secured Creditors	12
4.3	Employees Severance and/or Termination Claims	12
4.4	Unsecured Creditors	13
4.5	Qualifying Debenture Holders	13
4.6	Claims which are Unaffected Obligations	14
4.7	Guarantees and Similar Covenants	14
4.8	Claims Generally	14
4.9	Effect of Plan Generally	15
4.10	Waiver of Defaults	15

ARTICLE 5

STEPS OF THE PLAN AND CLOSING PROCEDURES

5.1	Implementation of Plan	16
5.2	Effect of Final Order	16

ARTICLE 6

CONDITIONS PRECEDENT

6.1	Application for Final Order	17
6.2	Conditions Precedent to Implementation of Plan	17

ARTICLE 7

MEETINGS AND PROCEDURAL MATTERS

7.1	Meetings of Creditors	18
7.2	Approval by Creditors	19
7.3	Loss of Right to Receive Distributions	19

ARTICLE 8

CLAIMS PROCESS

8.1	Proof of Claims	19
8.2	Proxies	20
8.3	Acceptance, Revision or Rejection of Claims	21
8.4	Disputing a Notice of Revision or Disallowance Regarding Claims	21
8.5	Resolving Disputed Claims Regarding Claims	21
8.6	Appeals of Determinations by the Monitor in Respect of Claims	22
8.7	Interim Distributions of Claims	22
8.8	Unliquidated Claims	22
8.9	Notices of Revision or Disallowance for Assigned Claims	23

ARTICLE 9

AMENDMENT AND TERMINATION OF PLAN

9.1	Plan Amendment	23
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ARTICLE 10

GENERAL PROVISIONS

10.1	Termination	24
10.2	Paramountcy	24
10.3	Compromise Effective for all Purposes	24
10.4	Consents, Waivers and Agreements	24
10.5	Releases	25
10.6	Deeming Provisions	25
10.7	Copies of Plan	25
10.8	Notices	25

10.9	Different Capacities	27
10.10	Further Assurances	27

GANDALF TECHNOLOGIES INC.

PLAN OF COMPROMISE OR ARRANGEMENT

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or unless the subject matter or context otherwise requires:

"Abandoned Premises" means any premises whether leased in whole or in part by the Applicant, abandoned by the Applicant, or for which the Applicant has delivered or delivers a notice of abandonment or a termination notice, disclaimer notice or repudiation notice on or after the Initial Order Date and on or prior to the Final Valuation Date, but shall not include any premises in respect of which the Applicant has expressly withdrawn in writing a previously delivered notice of abandonment, termination notice, disclaimer notice or repudiation notice.

"Applicant" means Gandalf Technologies Inc.

"Bank" means the Royal Bank of Canada in its capacity as operating lender pursuant to a Letter Agreement of June 11, 1996 as amended by letters of November 6, 1996, November 18, 1996, February 7, 1997 and April 11, 1997 (the "Existing Credit Facility") and as CCAA Lender, and the assignees of either of such agreements or parts thereof or of any of the indebtedness or obligations of a CCAA Company arising thereunder.

"Bonus Pool Employees" means those Employees that are designated or qualified as such under the Employee Retention Plan and "Bonus Pool Employee" means any one of them.

"Business Day" means any day, other than a Saturday, Sunday or holiday, on which banks are generally open for business in Ottawa, Ontario.

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.

"CCAA Company" means Gandalf Technologies Inc.

"CCAA Lender" means Royal Bank of Canada in its capacity as lender to the CCAA Companies pursuant to a Commitment Letter between the CCAA Companies and the Bank dated as at July 22, 1997 (the "DIP Commitment Letter").

"CCAA Proceedings" means the proceedings of the Applicant under the CCAA commenced pursuant to the Initial Order.

"Charge" means a valid mortgage, charge, pledge, assignment, lien, privilege, hypothec or security interest and includes a lease of chattels or moveable property.

"Claim" or "Claims" means the right of any Person against the Applicant in connection with any indebtedness, liability or obligation of any kind of the Applicant, in each case which indebtedness, liability or obligation is in existence at the Final Valuation Date, and interest, if any, that may accrue thereon until the Plan Implementation Date and in respect of which there is an obligation to pay, and costs which such Persons would be entitled to receive, pursuant to the terms of any contract with such Person or at law or in equity, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise, and whether or not such right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts or events which exist prior to or at the Final Valuation Date, and, without limitation, shall include any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Final Valuation Date.

"Classes" means the five classes of Creditors grouped in accordance with their Claims for the purposes of considering and voting upon this Plan in accordance with the provisions of this Plan, and receiving distributions hereunder, such classes being comprised of the Bank, Secured Creditors, Employees with Claims for Severance Pay and/or Termination Pay, Unsecured Creditors, and Qualifying Debentureholders, respectively and **"Class"** means any one of such classes.

"Court" means the Ontario Court of Justice (General Division).

"Creditor" means any Person having a Claim against the Applicant and may, when the context requires, include the assignee of the whole or a part of a Claim, or a trustee, liquidator, receiver, receiver and manager or other Person acting on behalf of such Person.

"Creditor Approval" means the approval of this Plan by all of the Classes of Creditors voting on this Plan under the CCAA.

"Dispute Notice" means a written notice to the Applicant, delivered in accordance with Section 8.4 by a Creditor to whom a Notice of Revision or Disallowance has been delivered, of its intention to dispute such Notice of Revision or Disallowance.

"Dollars" or "\$" or "US\$" means dollars denominated in lawful currency of the United States of America subject to Section 1.2(b).

"Employee Retention Plan" means the Employee Retention Plan attached as a schedule to the Initial Order.

"Employees" means those individuals who are currently employed by the Applicant or retained by the Applicant to perform personal services exclusively for the Applicant, or who were terminated following the Initial Order Date or who were terminated on or prior to the Initial Order Date and have entered into binding settlement arrangements with the Applicant or have received a court award in respect of such termination, in each case on or prior to the Initial Order Date and **"Employee"** means any one of them.

"Final Order" means the Order to be made under the CCAA sanctioning this Plan, as such Order may be amended or modified by any court of competent jurisdiction.

"Final Valuation Date" means the Plan Filing Date.

"GTI" means Gandalf Technologies Inc., the Applicant.

"GCL" means Gandalf Canada Ltd.

"Gross Rent" means Minimum Rent together with additional amounts, such as realty taxes, goods and services tax, utilities, and common area maintenance costs, whether or not such amounts are payable as rent, which are payable by the Applicant pursuant to a Lease or other written agreement between the Applicant and a Real Property Creditor in respect of an Abandoned Premises.

"Initial Order" means the Order made July 25, 1997, as amended, pursuant to which, *inter alia*, the CCAA Companies were provided protection under the CCAA.

"Initial Order Date" means July 25, 1997.

"Interim Creditors" means Creditors who have supplied or do supply services, utilities, goods or materials to the Applicant during the Stay Period, and **"Interim Creditor"** means any one of them.

"Lease" means any lease, sublease, agreement to lease, offer to lease, occupancy agreement or similar agreement, whether written or oral, pursuant to which the Applicant has or had the right to occupy premises and includes all amendments and supplements thereto and all documents ancillary thereto.

"Meetings" means the meetings of the Creditors called for the purpose of considering and voting in respect of this Plan pursuant to the CCAA and **"Meeting"** means any one of such meetings.

"Minimum Rent" means the minimum, basic or base rent applicable to an Abandoned Premises but does not include additional amounts such as realty taxes, goods and services taxes, utilities, and common area maintenance costs whether or not such amounts are payable as rent.

"Monitor" means Deloitte & Touche Inc., the monitor appointed pursuant to the Initial Order.

"Notice of Revision or Disallowance" means a notice delivered by the Applicant to a Creditor advising such Creditor that the Applicant has revised or rejected all or part of the Claim set out in such Creditor's Proof of Claim and Schedule to Proof of Claim.

"OBCA" means the *Business Corporations Act*, R.S.O. 1990, c. B.16.

"Order" means any order of the Court in the CCAA Proceedings.

"Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

"Plan" means this plan of compromise or arrangement under the CCAA, as amended or supplemented from time to time.

"Plan Filing Date" means October 3, 1997, being the date upon which this Plan was filed with the Court in the CCAA Proceedings.

"Plan Implementation Date" means a Business Day selected by the Monitor which is not more than 45 days after the date on which the Final Order is made or such later date as may be fixed by the Court.

"Proof of Claim" means a proof of claim filed in accordance with the provisions of Section 8.1.

"Proven Claim" means the amount of the Claim of a Creditor finally determined in accordance with the provisions of the CCAA and of this Plan.

"Proxy" means a proxy filed in accordance with the provisions of Section 8.2.

"Qualifying Debentureholders" means the registered holders of the Qualifying Debentures and **"Qualifying Debentureholder"** means any one of them.

"Qualifying Debentures" means the debentures issued by each of the CCAA Companies pursuant to certain trust deeds between each of the CCAA Companies and Rodolph W. Groulx, as trustee.

"Real Property Creditor" means a landlord, head landlord or owner of real property, whether or not in direct privity with the Applicant, who has a Claim in respect of any premises leased or guaranteed by the Applicant pursuant to a Lease to which such landlord, head landlord or owner is a party or by which such landlord, head landlord or owner is bound, and includes (i) any mortgagee of such premises who has taken possession of such premises or is collecting rent in respect of such premises; (ii) any Person who has taken an assignment of rents or assignment of lease in respect of such premises, whether as security or otherwise; and (iii) any shareholder or trust beneficiary of such landlord, head landlord or owner whose Claim would be duplicative or derivative of the Claim of such landlord, head landlord or owner.

"Real Property Creditor's Abandoned Premises Claim" means the Claim of a Real Property Creditor in respect of an Abandoned Premises and, for greater certainty, does not include the Real Property Creditor's Arrears Claim, if any, of such Real Property Creditor in respect of such Abandoned Premises but shall be comprised of and be equal to the present value of the Minimum Rent accruing due up to a maximum amount equal to six months Gross Rent.

"Real Property Creditor's Arrears Claim" means the Claim of a Real Property Creditor for arrears of Gross Rent in respect of a Lease and, for greater certainty, does not include the Real Property Creditor's Abandoned Premises Claim, if any, of such Real Property Creditor in respect of any Abandoned Premises which are subject to such Lease which arrears shall be calculated on a per diem basis to but not including the Initial Order Date.

"Retained Employees" means those Employees that are designated or qualified as such under the Employee Retention Plan and **"Retained Employee"** means any one of them.

"Schedule to Proof of Claim" means the schedule to Proof of Claim referred to in Section 8.1.

"Secured Creditors" means Persons, other than the Bank and Real Property Creditors in such capacity, with Claims secured by a Charge against the assets of the Applicant or secured by a letter of credit.

"Shareholders" means all holders of shares of the Applicant and **"Shareholder"** means any one of them.

"Stay Date" means originally October 31, 1997 and currently **December 15, 1997** or such later date as may be ordered by the Court.

"Stay Period" means the period from and including the Initial Order Date to and including the Stay Date.

"Unaffected Obligations" means the Claims against the Applicant which are described in Section 3.2 and **"Unaffected Obligation"** means any one of such Claims.

"Unliquidated Claims" means Claims that have not been finally determined either as to liability or amount and **"Unliquidated Claim"** means any one of such Claims.

"Unsecured Creditors" means all Creditors of the Applicant with Claims other than Claims in respect of Unaffected Obligations and other than Claims dealt with in any other Class of Creditors and **"Unsecured Creditor"** means any one of such Creditors.

"Valuation Date" means July 25, 1997.

1.2 Certain Rules of Interpretation

In this Plan and the Schedules hereto:

- (a) all accounting terms not otherwise defined herein shall have the meanings ascribed to them, from time to time, in accordance with Canadian generally

accepted accounting principles, including those prescribed by the Canadian Institute of Chartered Accountants;

- (b) all references to currency are to United States Dollars unless specifically indicated otherwise;
- (c) if, for the purposes of voting or distributions, an amount denominated in a currency other than U.S. Dollars must be converted to U.S. Dollars, such amount shall be regarded as having been converted at the noon spot rate of exchange quoted by Royal Bank of Canada for exchanging such currency to U.S. Dollars as at the Initial Order Date;
- (d) the division of this Plan into Articles and Sections and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Plan, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the content thereof;
- (e) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Plan or a Schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Ottawa, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (i) whenever any payment to be made or action to be taken under this Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day;

- (j) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and
- (k) references to a specified Article, Section or Schedule shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of, or schedule to, this Plan, whereas the terms "this Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to this Plan and not to any particular Article, Section, Schedule or other portion of this Plan and include any documents supplemental hereto.

1.3 Schedules

Each of the following Schedules annexed hereto is an integral part of this Plan:

Schedule "A"	-	Proof of Claim and Proxy
Schedule "B"	-	Voting Letter
Schedule "C"	-	List of Creditors

1.4 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in, or subject to, this Plan.

1.5 Governing Law

This Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF PLAN

2.1 Purpose

The purpose of this Plan is to provide sufficient time for the subsidiaries of the Applicant to continue operating the service and maintenance business to permit them to complete the sale of that portion of their assets as a going concern or until the business no longer remains viable. A number of potential purchasers have been identified and the applicable subsidiaries are having ongoing negotiations. All the remaining identified assets that are not required for the service and maintenance business have been or will be sold to interested parties. To the extent possible, the Applicant will participate in any distribution from its subsidiaries. The net proceeds will then be used to pay the creditors, as described in this Plan, with any surplus to be distributed to the Shareholders.

2.2 Overview of Plan

This Plan involves the following essential elements:

- (a) subsidiaries selling the service and maintenance business as a going concern with any remaining assets of the Applicant and its subsidiaries being sold;
- (b) the satisfaction of the Claims of the Bank in full;
- (c) the satisfaction of the Claims of Secured Creditors;
- (d) the compromise of the Claims of Employees for severance and/or termination pay;
- (e) the satisfaction/compromise of the Claims of Unsecured Creditors;
- (f) the compromise of the Claims of the Qualifying Debenture holders; and
- (g) distribution of any surplus to the Shareholders of the Applicant pro rata to their shareholdings.

ARTICLE 3 CREDITORS

3.1 **Classification of Creditors**

The classification of Creditors for the purposes of considering and voting on this Plan and receiving distributions hereunder are based upon the commonality of interest of such Creditors, such that Creditors with essentially similar rights against the CCAA Companies and which are receiving essentially similar treatment have been grouped together in the following Classes for voting and distribution purposes:

(a) Class 1

Claims of the Bank shall be designated as Class 1.

(b) Class 2

Claims of the Secured Creditors shall be designated as Class 2.

(c) Class 3

Claims of Employees for severance and/or termination pay against the Applicant shall be designated as Class 3.

(d) Class 4

Claims of the Unsecured Creditors shall be designated as Class 4.

(e) Class 5

Claims of the Qualifying Debenture holders shall be designated as Class 5.

3.2 **Unaffected Obligations**

This Plan does not affect the following:

(a) Interim Creditors

Claims of Interim Creditors as such;

(b) Directors and Officers

Claims of individuals who are current or former directors or officers of the Applicant for indemnity pursuant to indemnities provided by the Applicant and for Director's fees and disbursements;

(c) Retained Employees

Claims of Retained Employees as provided for and secured pursuant to the Employee Retention Plan;

(d) Bonus Pool Employees

Claims of Bonus Pool Employees as provided for in the Employee Retention Plan and as may subsequently be secured;

(e) Advisors

Claims of the Monitor and the Claims of the legal, accounting and financial advisors to the Applicant incurred for the purposes of reorganizing the debt of the Applicant pursuant to this Plan;

(f) Insured Claims

Claims arising in the ordinary course of business against the Applicant which are covered by insurance held by the Applicant, excluding amounts which are up to and including the deductible amounts under such insurance policies and also excluding claims against the Applicant under Directors and Officers Liability Policies;

except to the extent that such Claims are subject to the stay contained in the Initial Order and the stay more particularly described in Section 5.2 which is to be incorporated in the Final Order.

ARTICLE 4 TREATMENT OF CREDITORS

For purposes of this Plan, the Creditors shall receive the treatment provided in this Article 4 on account of their Claims and on the Plan Implementation Date the Claims affected by this Plan will be compromised in accordance with the terms hereof.

4.1 Bank

(a) Voting of Claim

The Bank shall be entitled to vote in Class 1 to the extent of the amount which is equal to its Proven Claim as a Bank.

(b) Distribution

By the Plan Implementation Date, the Bank if it has a Proven Claim as a Bank shall receive, in full satisfaction of such Claim, payment in full.

4.2 Secured Creditors

(a) Voting of Claim

Each Secured Creditor shall be entitled:

- (i) if fully secured, to elect to take in full satisfaction of its Claim as a Secured Creditor the collateral upon which its Charge is secured in which event the Applicant can choose to redeem such collateral for the amount of the Claim of such Secured Creditor failing which such Secured Creditor shall be entitled to vote in Class 2 to the extent of the amount which is equal to its Proven Claims as a Secured Creditor; or
- (ii) if partially secured, to value its security and vote in Class 2 to the extent of the amount thereof which is equal to its Proven Claim as a Secured Creditor and claim as an Unsecured Creditor and vote in Class 4 for any deficiency in which event the Applicant can choose to pay the Secured Creditor the assessed value and take the collateral upon which the Charge of the Secured Creditor is secured; or
- (iii) if holding a valid letter of credit, to draw on any letter of credit held by it and vote in Class 3 to the extent of the amount thereof which is equal to its Proven Claim as a Secured Creditor and claim as an Unsecured Creditor and vote in Class 3 for any deficiency.

(b) Distribution

By the Plan Implementation Date, each Secured Creditor shall be entitled:

- (i) if it is fully secured either to take the collateral upon which its Charge is secured or be paid in full, as the case may be; or
- (ii) if it is partially secured and the Applicant chose to pay the assessed value, to be paid the amount of the assessed value.

4.3 Employees Severance and/or Termination Claims

(a) Voting of Claims

Each Employee being entitled to a claim for severance and/or termination pay shall be entitled to vote in Class 3 to the extent of the amount which is equal to their Proven Claim as an Employee for severance pay.

(b) Distribution

On the Plan Implementation Date, subject to Section 5.1, each Employee with Proven Claims as an Employee for severance and/or termination pay shall receive, in full satisfaction of such Claim, an amount equal to the same percentage as Unsecured Creditors of GCL receive under the Plan of Compromise or Arrangement of GCL.

4.4 Unsecured Creditors

(a) Voting of Claim

Each Unsecured Creditor shall be entitled to vote in Class 4 to the extent of the amount which is equal to its Proven Claims as an Unsecured Creditor which shall include a Real Property Creditor's Abandoned Premises Claim and a Real Property Creditor's Arrears Claim.

(b) Distribution

On the Plan Implementation Date, each Unsecured Creditor with Proven Claims as an Unsecured Creditor shall be paid pro rata out of the net realization of all assets of the Applicant after paying all costs of realization, Unaffected Obligations and satisfying Claims of the Bank, of Secured Creditors, of Employees for severance and/or termination pay and Qualified Debenture Holders.

4.5 Qualifying Debenture Holders

(a) Voting of Claim

Each Qualifying Debentureholder shall be entitled to vote in Class 5 to the extent of the amount which is equal to its Proven Claim as a Qualifying Debentureholder.

(b) Distribution

Within 30 days of the Plan Implementation Date, each Qualifying Debentureholder shall receive in full satisfaction of the Claim of such Qualifying Debentureholder, as such, an amount equal to \$2.00 for each Qualifying Debenture held by such Qualifying Debentureholder.

4.6 Claims which are Unaffected Obligations

Each Creditor who has a Claim which is an Unaffected Obligation shall not be entitled to vote or to receive any distributions under this Plan in respect of such Unaffected Obligation.

4.7 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is compromised under this Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim which is compromised under this Plan shall be entitled to any greater rights than the Creditor whose Claim was compromised under this Plan.

4.8 Claims Generally

(a) Assignment of Claims

If a Creditor who has a Proven Claim transferred or transfers all or part of its Proven Claim and the transferee delivers evidence of its ownership of all or part of such Proven Claim and a written request to the Applicant, no later than five days prior to the date of the Meeting of the Creditors of the Class to which such Proven Claim is subject, that such transferees' name be included on the list of Creditors entitled to vote at such Meeting, such transferee shall be entitled to attend and vote the transferred portion of the Proven Claim at such Meeting, provided, however, that for the purposes of determining whether this Plan has been approved by a majority in number of the Creditors of such Class, only the vote of the transferor or the transferee, whichever holds the highest dollar value of Proven Claim, will be counted, and, if such value shall be equal, only the vote of the transferee will be counted. If one Proven Claim has been transferred to more than one transferee, for purposes of determining whether this Plan has been approved by a majority in number of the Creditors of the Class to which such Proven Claim is subject, only the vote of the transferee with the highest value of Proven Claim will be counted unless all of the transferees of such Proven Claim deliver a notice to the Applicant at least five days prior to the date of

the Meeting of the Creditors of the Class to which such Proven Claim is subject and designate therein the name of the transferee whose vote is to be counted, in which case the vote of such designated transferee will be counted.

(b) Provable Claims

- (i) The Proven Claim of a Creditor shall be net of any amount owing by the Creditor to the Applicant as at the Initial Order Date. For greater certainty, the Applicant shall be entitled to exercise rights of set-off as at the Initial Order Date in respect of transactions relating to purchases and transactions occurring prior to the Initial Order Date on a per diem basis notwithstanding that the relevant contract, agreement or arrangement relating to such transactions provides for a calculation of or entitlement to offsets or discounts on a different basis.
- (ii) No amount shall be provable as a Claim by a Creditor in respect of obligations incurred by the Applicant prior to the Initial Order Date which have not been asserted in writing by a Creditor since that date and prior to filing of a Proof of Claim in accordance with this Plan.

4.9 Effect of Plan Generally

On the Plan Implementation Date the treatment of Claims under this Plan shall be final and binding on the Applicant and all Creditors affected thereby (and their respective heirs, executors, administrators, legal representatives, successors and assigns), and the Plan shall constitute (i) full, final and absolute settlement of all rights of the holders of all Claims; (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Applicant or in respect of the Claims affected hereby and any Charges granted by the Applicant in respect thereof; and (iii) a termination of all Leases, pertaining to premises abandoned by the Applicant.

4.10 Waiver of Defaults

From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults then existing or previously committed by the Applicant or caused by the Applicant or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Applicant or any other Person and any and all notices of default and demands for payment under any instrument, including any guarantee, shall be deemed to have been rescinded.

ARTICLE 5
STEPS OF THE PLAN AND CLOSING PROCEDURES

5.1 Implementation of Plan

Subject to the satisfaction or waiver (in accordance with Section 9.1) of the conditions set forth in Section 6.2, on the Plan Implementation Date the Applicant shall make an interim distribution to the Creditors of such funds as the Monitor shall determine to be then available for distribution and thereafter as and when funds become available as determined by the Monitor, all such distributions to be made firstly in satisfaction of the Claim of the Bank, then of the Claims of Secured Creditors, then of the claims of the Employees for Severance and/or Termination Pay, then of the Claims of Unsecured Creditors and then of the Claims of Qualifying Debenture Holders.

5.2 Effect of Final Order

In addition to sanctioning this Plan, the Final Order shall, among other things:

- (a) declare that the compromises effected hereby are approved, binding and effective as herein set out upon all Creditors affected by this Plan;
- (b) declare that, subject to the performance by the Applicant of its obligations under this Plan and except to the extent, if any, expressly contemplated by this Plan or the Final Order, all obligations or agreements to which the Applicant is a party shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no Person party to any such obligation or agreement shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution, buy-out, divestiture, forced sale, option or other remedy) under or in respect of any such obligation or agreement, by reason:
 - (i) of any event(s) which occurred on or prior to the Initial Order Date which would have entitled any other Person party thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the financial condition or insolvency of the Applicant; or
 - (ii) of the fact that the Applicant has sought or obtained relief under the CCAA; or
 - (iii) of the effect on the Applicant of the completion of any of the transactions contemplated by this Plan or the Reorganization; or

- (iv) of any compromises or arrangements effected pursuant to this Plan;
- (c) authorize and direct the Monitor, in its capacity as trustee under the Employee Retention Plan, to pay or cause to be paid to the Retained Employees and the Bonus Pool Employees all amounts to which each such Employee is entitled thereunder; and
- (d) stay any and all steps or proceedings including, without limitation, administrative orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Applicant in respect of any Claim.

ARTICLE 6

CONDITIONS PRECEDENT

6.1 Application for Final Order

The Applicant or the Monitor shall apply for the Final Order within seven days following the date upon which Creditor Approval of this Plan is obtained. The Final Order shall not become effective until the Plan Implementation Date. On the Plan Implementation Date, subject to the satisfaction or waiver of the conditions contained in Section 6.2 and subject to Section 5.1, the Plan will be implemented by the Applicant or the Monitor, as the case may be, will be binding upon all Persons having Claims against the Applicant to the extent of their Claims. If the conditions contained in Section 6.2 are not satisfied or waived on or before the Plan Implementation Date, this Plan and the Final Order shall cease to have any further force or effect.

The Applicant or the Monitor, as the case may be, may apply for an interim Order extending the Stay Period so that the application for the Final Order may be made before the Stay Period expires and the Stay Period shall not expire until the Plan Implementation Date.

6.2 Conditions Precedent to Implementation of Plan

The Implementation of this Plan shall be conditional upon the fulfilment or waiver (in accordance with Section 9.1) of the following conditions:

(a) Approval

The Applicant shall have taken all corporate actions and proceedings in the reasonable opinion of the Applicant necessary to approve this Plan and to enable it to execute, deliver and perform its obligations under this Plan.

(b) Appointment of Monitor as Receiver and Manager

The Monitor shall have been appointed by the Court as Receiver and Manager of the then remaining assets, property and undertaking of the Applicant, wherever situate (the "Property") with the authority and power to take and control any and all receipts and disbursements arising out of or from the Property, without security and with authority to act at once in respect of the Property until further Order of the Court including, inter alia, making payments and distributions in accordance with any Orders of the Court in respect thereto and with this Plan.

(c) Expiry of Appeal Period

The appeal period with respect to the Final Order shall have expired without an appeal of the Final Order having been commenced or, in the event of an appeal or application for leave to appeal, a final determination shall have been made by the applicable appellate tribunal.

(d) Governmental Approvals

All applicable governmental, regulatory and judicial consents, orders and similar consents and approvals and all filings with all governmental authorities, securities commissions, stock exchanges and other regulatory authorities having jurisdiction, in each case to the extent deemed necessary or desirable by counsel to the Applicant and in form and substance satisfactory to the Applicant for the completion of the transactions contemplated by this Plan or any aspect hereof, shall have been obtained or received.

ARTICLE 7 MEETINGS AND PROCEDURAL MATTERS

7.1 Meetings of Creditors

- (a) Meetings shall be held in accordance with this Plan, the Initial Order and any further Order.
- (b) Unless otherwise designated by the Applicant or ordered by the Court, all Meetings shall be conducted by the Applicant and all Proofs of Claim shall be delivered in accordance with the provisions of this Plan, and the Initial Order.

- (c) Unless otherwise ordered by the Court, a representative of the Monitor shall preside as the chair of each Meeting and shall decide all matters relating to the conduct of the Meeting. The only Persons entitled to attend a Meeting are those Persons, including the holders of proxies, entitled to vote at the Meeting, their legal counsel and advisors and the officers, directors, auditors and legal counsel of the Applicant and the Monitor. Any other Person may be admitted on invitation of the chair of the Meeting or with the majority consent of the Creditors represented in person or by proxy at the relevant Meeting.

7.2 Approval by Creditors

In order that this Plan be binding on the Creditors in accordance with the CCAA, it must first be accepted by each Class of Creditors as prescribed by this Plan by a majority in number of the Creditors in such Class who actually vote on this Plan (in person or by proxy) at the relevant Meeting, representing three-quarters (75%) in value of the Proven Claims of the Creditors in such Class who actually vote on this Plan (whether in person or by proxy) at the Meeting. Any Creditor wishing to vote on this Plan must have submitted a proof of claim as provided for in Section 8.1.

7.3 Loss of Right to Receive Distributions

Any Creditor that has not submitted a Proof of Claim in respect of a Claim (an "Unsubmitted Claim") in accordance with the terms of Section 8.3 will not be entitled to receive any distributions under this Plan in respect of the Unsubmitted Claim, unless otherwise ordered by the Court or agreed to by the Applicant, and on the Plan Implementation Date, the Unsubmitted Claims shall be released and discharged in accordance with Section 10.5.

ARTICLE 8 CLAIMS PROCESS

8.1 Proof of Claims

- (a) A Proof of Claim and Proxy in the form attached hereto as Schedule "A" and a Voting Letter in the form attached hereto as Schedule "B" will be mailed to each Creditor of the Applicant who, to the knowledge of the Applicant had a Claim as of the Initial Order Date or arising after the Initial Order Date. In addition, no later than October 20, 1997, the Applicant shall publish a Notice to Creditors in the Globe and Mail (National Edition), and the Wall Street Journal, (National Edition) which will provide that any Creditor with a Claim

which has not been sent the Proof Claim and Proxy must deliver a notice of its Claim in writing to the Applicant by no later than October 24, 1997. The Applicant shall send by facsimile where possible or by delivery to each such creditor, the Proof of Claim and Proxy as soon as practicable after receipt of a notice of Claim. In order for a Creditor to be entitled to attend and vote, in person or by proxy at the Meeting for a Class, such Creditor's duly completed Proof of Claim and Proxy, if applicable must have been filed with the Applicant by not later than November 7, 1997;

- (b) A Creditor with a Claim that has not delivered a Proof of Claim in the manner specified herein shall not be entitled to attend or vote at any of the Meetings;
- (c) A Creditor who has filed a Proof of Claim in accordance with the provisions hereof shall be entitled to attend the Meeting in which such Creditor's Claim falls and to vote thereat in respect of the amount of such Creditor's Claim if:
 - (i) a Notice of Revision or Disallowance has not been delivered by the Applicant to the Creditor three or more days prior to the Meeting; or
 - (ii) a Notice or Revision or Disallowance has been delivered by the Applicant to the Creditor more than three days prior to the Meeting of the Class of Creditors into which such Creditor's Claim falls; such Creditor has delivered a Dispute Notice within the relevant time period, and such Claim has not been finally determined as contemplated herein and if the Applicant: (i) accepts the Creditor's determination of the value of the Claim only for the purposes of voting on this Plan and conducts the vote of the Class into which such Creditor's Claim falls, subject to a final determination of its Claim; or (ii) delays the vote of the Class into which the Creditor's Claim falls until a final determination of such Claim is made; or (iii) deals with the matter as the Court may direct.

8.2 Proxies

A Creditor entitled to vote at any of the Meetings may appoint another person to attend and vote on its behalf at such Meeting by completing and returning a proxy in accordance with the terms herein specified. A form of proxy is attached hereto as part of Schedule "A".

8.3 Acceptance, Revision or Rejection of Claims

In order for a Creditor to be entitled to receive any distributions under this Plan, such Creditor's duly completed Proof of Claim must have been filed with the Applicant by not later than December 31, 1997. Each Proof of Claim pertaining to Claims which is submitted will be examined by representatives of the Applicant and will either be accepted, revised or rejected by the Applicant for distribution purposes under this Plan. The Applicant shall, not later than January 30, 1998, notify each Creditor who has filed a Proof of Claim as to whether such Creditor's Claim has been revised or rejected and the reasons therefor by delivery of a Notice of Revision or Disallowance by facsimile or registered mail. If the Applicant does not deliver by the aforementioned date a Notice of Revision or Disallowance to a Creditor who has submitted a Proof of Claim, the Applicant shall be deemed to have accepted such Creditor's Claim, and such Creditor's Claim shall be treated as a Proven Claim for voting and distribution purposes.

8.4 Disputing a Notice of Revision or Disallowance Regarding Claims

Any Creditor who intends to dispute a Notice of Revision or Disallowance in respect of a Claim shall, within five days of the date of delivery of the Notice of Revision or Disallowance, deliver a notice in writing to the Monitor and the Applicant of such intention and shall apply to have the value of its Claim determined by the Monitor in accordance with the procedure set out in this Plan. Where a Creditor to whom a Notice of Revision or Disallowance is delivered fails to deliver a Dispute Notice or to apply to the Monitor for a determination of the value of its Claim within the aforesaid time limits, the value of such Creditor's Claim shall, for all purposes under this Plan, be deemed to be as set out in the Notice of Revision or Disallowance.

8.5 Resolving Disputed Claims Regarding Claims

On receiving a Dispute Notice and supporting application materials in respect of a Claim from a Creditor, the Monitor shall attempt to resolve the dispute between the Applicant and such Creditor, and the Monitor shall, by no later than five days from the date of delivery of the Dispute Notice (or such other period as the Monitor shall determine after taking into account the timetable established for the meeting of the classes of Creditors and subject to the direction of the Court), deliver a notice to the Applicant and such Creditor specifying therein the value of the Creditor's Claim for all purposes under this Plan. Subject to the direction of the Court, the Monitor shall determine the manner, if any, in which evidence may be brought before him as well as any other procedural matters which may arise in respect of his determination of a Creditor's Claim.

8.6 Appeals of Determinations by the Monitor in Respect of Claims

Either a Creditor or the Applicant may, within five days of delivery of the Monitor's notice of determination of the value of a Creditor's Claim, appeal such determination to the Court by filing with the Court a notice of motion, which motion shall be made returnable within five days of the filing of the notice of motion or as the Court may direct, failing which appeal such determination shall, subject to further Order, be final and binding on the Applicant and the Creditor for all purposes under this Plan.

8.7 Interim Distributions of Claims

If a Dispute Notice relates only to a part of a Creditor's Claim, the Applicant shall make interim distributions to the Creditor as are required under this Plan, based on the portion of the Creditor's Claim which has not been disallowed by the Applicant, pending final determination of such Creditor's Claim. To the extent that it is thereafter determined that the Creditor's Claim is greater than that for which the Applicant made interim payments, the Applicant shall forthwith make such further payments contemplated by this Plan to such Creditor so that such Creditor shall receive the aggregate amount of payments which such Creditor would have received if its Claim had been finally determined prior to the Plan Implementation Date.

8.8 Unliquidated Claims

Each Creditor who has a Claim as of the Final Valuation Date that is an Unliquidated Claim must have filed a Proof of Claim in accordance with this Plan, failing which such Creditor's Claim and entitlement to a distribution, if any, shall be extinguished. Each Creditor who has an Unliquidated Claim shall be entitled to receive a distribution in accordance with the terms of this Plan in respect of such Unliquidated Claim only after such Unliquidated Claim has been liquidated.

For the foregoing purposes an Unliquidated Claim shall be deemed to be liquidated at such time as the amount of such Unliquidated Claim has been quantified as follows:

- (a) upon receipt of a Creditor's Proof of Claim and Schedule to Proof of Claim with respect to an Unliquidated Claim, the Applicant shall value such Claim and deliver a notice in writing to the Creditor advising the Creditor of such value. If such Creditor does not apply to the Monitor for a determination of the value of the Unliquidated Claim within five days after delivery of notice of the value of such Unliquidated Claim from the Applicant, such Creditor shall be deemed to have accepted the valuation of such Unliquidated Claim

as determined by the Applicant and such Claim shall be deemed to be a Proven Claim for such value; or

- (b) if such Creditor does apply to the Monitor for a determination of the value of the Unliquidated Claim within such five day period, upon the determination of the value, if any, of the Unliquidated Claim by the Monitor, the Claim shall be deemed to be a Proven Claim for such value. Such determination may be appealed by the Applicant or the Creditor in the manner and within the time limits set forth in Section 8.6.

8.9 Notices of Revision or Disallowance for Assigned Claims

In the event that a portion of a Claim which is held by more than one Creditor is disallowed, such disallowed portion shall be allocated amongst such Creditors pro rata according to their holdings of the Claim unless a contrary direction is provided by all such holders of the Claim seven days prior to the Plan Implementation Date or unless otherwise ordered by the Court.

ARTICLE 9 AMENDMENT AND TERMINATION OF PLAN

9.1 Plan Amendment

The Applicant reserves the right, at any time and from time to time, to amend, modify and/or supplement this Plan, or to waive in whole or in part any condition from time to time set forth in Article 6; provided that any such amendment, modification, supplement or waiver must be contained in a written document which is (i) filed with the Court and, if made following the Meetings, approved by the Court; and (ii) communicated to the Creditors in the manner required by the Court (if so required).

Any amendment, modification, supplement or waiver may be made following the Final Order unilaterally by the Applicant, provided that it concerns a matter which, in the opinion of the Applicant, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Final Order and is not adverse to the financial or economic interests of any Class of Creditors.

Any supplementary plan or plans of compromise or arrangement filed with the Court shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

**ARTICLE 10
GENERAL PROVISIONS**

10.1 Termination

At any time until the Plan Implementation Date, the Applicant may determine not to proceed with this Plan, notwithstanding any prior approvals given at any of the Meetings.

10.2 Paramountcy

From and after the Plan Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, credit document, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and the Applicant as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which shall take precedence and priority.

10.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Claim under this Plan, if sanctioned and approved by the Court shall, in the case of any Creditor whose Claim is in a Class voting in favour of this Plan, be binding on such Creditor, its heirs, executors, administrators, legal personal representatives, successors and assigns, for all purposes and, to such extent, shall also be effective to relieve any third party directly or indirectly liable for such indebtedness, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

10.4 Consents, Waivers and Agreements

Upon the implementation of this Plan on the Plan Implementation Date, each Creditor shall be deemed to have consented and agreed to all of the provisions of this Plan as an entirety. In particular, each Creditor shall be deemed:

- (a) to have executed and delivered to the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (b) to have waived any non-compliance by the Applicant with any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Applicant that has occurred on or prior to the Plan Implementation Date; and

- (c) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Applicant as at the Plan Implementation Date (other than those entered into by the Applicant on, or with effect from, the Plan Implementation Date) and the provisions of this Plan, the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement shall be deemed to be amended accordingly.

10.5 Releases

Upon the implementation of this Plan on the Plan Implementation Date, the Applicant and each and every present and former shareholder, officer, director, employee, auditor, financial advisor, legal counsel and agent of the Applicant and the Monitor, acting in such capacities, shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of the Applicant for which the Initial Order authorized the granting of security, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicant, this Plan and the CCAA Proceedings.

10.6 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.7 Copies of Plan

Copies of this Plan will be mailed to the Creditors.

10.8 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier, by prepaid mail or by telecopier addressed to the respective parties as follows:

- (a) if to the Applicant up to October 10, 1997:

Gandalf Technologies Inc.
100 Colonnade Road South
Nepean, Ontario
K2E 7M4

Attention: Richard D. Busto, President
Telecopier: (613) 274-6505

and thereafter:

Gandalf Technologies Inc.
c/o Deloitte & Touche Inc.
Royal Bank Centre
Suite 1000
90 Sparks Street
Ottawa, ON K1P 5B4

Telecopier: (613) 274-6505

- (b) if to a Creditor:

to the known address (including telecopier number) for such Creditor or the address for such Creditor specified in the proofs of claim filed by such Creditor in the CCAA Proceedings

- (c) if to the Monitor:

Deloitte & Touche Inc.
Royal Bank Centre
Suite 1000
90 Sparks Street
Ottawa, ON K1P 5B4

Attention: David Boddy, Senior Vice-President
Telecopier: (613) 563-2244

or to such other address as any party may from time to time notify the others in accordance with this Section. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada or the United States of America, all notices and communications during such interruption may only be given or made by personal delivery, by courier or by telecopier. All such notices and communications which are delivered shall

be deemed to have been received on the date of delivery. All such notices and communications which are telecopied shall be deemed to be received on the date telecopied if sent before 5:00 p.m. Ottawa time on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such telecopy was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day the Applicant to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Plan.

10.9 Different Capacities

Creditors whose Claims are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, each such Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by a Creditor in any one capacity shall not affect the Creditor in any other capacity, unless expressly agreed by the Creditor in writing or unless the Claims overlap or are otherwise duplicative.

10.10 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall be deemed to occur without any additional act or formality other than as set out herein, each of the Persons affected hereby shall make, do and execute or cause to be made, done or executed all such further acts deeds, agreements, transfers, assurances, instruments, documents or discharges as may be reasonably required by the Applicant in order to better implement this Plan.

TAB I

PLAN OF COMPROMISE OR ARRANGEMENT

Pursuant to the
Companies' Creditors Arrangement Act (Canada)
concerning, affecting and involving

GANDALF CANADA LTD.

FILED OCTOBER 3, 1997

TABLE OF CONTENTS

	PAGE NO.
ARTICLE 1	
INTERPRETATION	
1.1 Definitions	v
1.2 Certain Rules of Interpretation	6
1.3 Schedules	8
1.4 Successors and Assigns	8
1.5 Governing Law	8
ARTICLE 2	
PURPOSE AND EFFECT OF PLAN	
2.1 Purpose	8
2.2 Overview of Plan	9
ARTICLE 3	
CREDITORS	
3.1 Classification of Creditors	9
3.2 Unaffected Obligations	10
ARTICLE 4	
TREATMENT OF CREDITORS	
4.1 Bank	11
4.2 Secured Creditors	11
4.3 Unsecured Creditors	12
4.4 Qualifying Debenture Holders	12
4.5 Claims which are Unaffected Obligations	13
4.6 Guarantees and Similar Covenants	13
4.7 Claims Generally	13
4.8 Effect of Plan Generally	14
4.9 Waiver of Defaults	14
ARTICLE 5	
STEPS OF THE PLAN AND CLOSING PROCEDURES	
5.1 Implementation of Plan	15
5.2 Effect of Final Order	15

ARTICLE 6

CONDITIONS PRECEDENT

6.1	Application for Final Order	16
6.2	Conditions Precedent to Implementation of Plan	16

ARTICLE 7

MEETINGS AND PROCEDURAL MATTERS

7.1	Meetings of Creditors	17
7.2	Approval by Creditors	18
7.3	Loss of Right to Receive Distributions	18

ARTICLE 8

CLAIMS PROCESS

8.1	Proof of Claims	18
8.2	Proxies	20
8.3	Acceptance, Revision or Rejection of Claims	20
8.4	Disputing a Notice of Revision or Disallowance Regarding Claims	20
8.5	Resolving Disputed Claims Regarding Claims	20
8.6	Appeals of Determinations by the Monitor in Respect of Claims	21
8.7	Interim Distributions of Claims	21
8.8	Unliquidated Claims	21
8.9	Notices of Revision or Disallowance for Assigned Claims	22

ARTICLE 9

AMENDMENT AND TERMINATION OF PLAN

9.1	Plan Amendment	22
-----	----------------------	----

ARTICLE 10

GENERAL PROVISIONS

10.1	Termination	23
10.2	Paramountcy	23
10.3	Compromise Effective for all Purposes	23
10.4	Consents, Waivers and Agreements	23
10.5	Releases	24
10.6	Deeming Provisions	24
10.7	Copies of Plan	25
10.8	Notices	25
10.9	Different Capacities	26

10.10	Further Assurances	26
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GANDALF CANADA LTD.

PLAN OF COMPROMISE OR ARRANGEMENT

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Plan (including the Schedules hereto), unless otherwise stated or unless the subject matter or context otherwise requires:

"Abandoned Premises" means any premises whether leased in whole or in part by the Applicant, abandoned by the Applicant, or for which the Applicant has delivered or delivers a notice of abandonment or a termination notice, disclaimer notice or repudiation notice on or after the Initial Order Date and on or prior to the Final Valuation Date, but shall not include any premises in respect of which the Applicant has expressly withdrawn in writing a previously delivered notice of abandonment, termination notice, disclaimer notice or repudiation notice.

"Applicant" means Gandalf Canada Ltd.

"Bank" means the Royal Bank of Canada in its capacity as operating lender pursuant to a Letter Agreement of June 11, 1996 as amended by letters of November 6, 1996, November 18, 1996, February 7, 1997 and April 11, 1997 (the "Existing Credit Facility") and as CCAA Lender, and the assignees of either of such agreements or parts thereof or of any of the indebtedness or obligations of a CCAA Company arising thereunder.

"Bonus Pool Employees" means those Employees that are designated or qualified as such under the Employee Retention Plan and "Bonus Pool Employee" means any one of them.

"Business Day" means any day, other than a Saturday, Sunday or holiday, on which banks are generally open for business in Ottawa, Ontario.

"CCAA" means the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36.

"CCAA Company" means Gandalf Canada Ltd.

"CCAA Lender" means Royal Bank of Canada in its capacity as lender to the CCAA Companies pursuant to a Commitment Letter between the CCAA Companies and the Bank dated as at July 22, 1997 (the "DIP Commitment Letter").

"CCAA Proceedings" means the proceedings of the Applicant under the CCAA commenced pursuant to the Initial Order.

"Charge" means a valid mortgage, charge, pledge, assignment, lien, privilege, hypothec or security interest and includes a lease of chattels or moveable property.

"Claim" or "Claims" means the right of any Person against the Applicant in connection with any indebtedness, liability or obligation of any kind of the Applicant, in each case which indebtedness, liability or obligation is in existence at the Final Valuation Date, and interest, if any, that may accrue thereon until the Plan Implementation Date and in respect of which there is an obligation to pay, and costs which such Persons would be entitled to receive, pursuant to the terms of any contract with such Person or at law or in equity, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise, and whether or not such right is executory in nature, including, without limitation, the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future based in whole or in part on facts or events which exist prior to or at the Final Valuation Date, and, without limitation, shall include any other claims that would have been claims provable in bankruptcy had the Applicant become bankrupt on the Final Valuation Date.

"Classes" means the four classes of Creditors grouped in accordance with their Claims for the purposes of considering and voting upon this Plan in accordance with the provisions of this Plan, and receiving distributions hereunder, such classes being comprised of the Bank, Secured Creditors, Unsecured Creditors, and Qualifying Debenture Holders, respectively and **"Class"** means any one of such classes.

"Court" means the Ontario Court of Justice (General Division).

"Creditor" means any Person having a Claim against the Applicant and may, when the context requires, include the assignee of the whole or a part of a Claim, or a trustee, liquidator, receiver, receiver and manager or other Person acting on behalf of such Person.

"Creditor Approval" means the approval of this Plan by all of the Classes of Creditors voting on this Plan under the CCAA.

"Dispute Notice" means a written notice to the Applicant, delivered in accordance with Section 8.4 by a Creditor to whom a Notice of Revision or Disallowance has been delivered, of its intention to dispute such Notice of Revision or Disallowance.

"Dollars" or "\$" or "US\$" means dollars denominated in lawful currency of the United States of America subject to Section 1.2(b).

"Employee Retention Plan" means the Employee Retention Plan attached as a schedule to the Initial Order.

"Employees" means those individuals who are currently employed by the Applicant or retained by the Applicant to perform personal services exclusively for the Applicant, or who were terminated following the Initial Order Date or who were terminated on or prior to the Initial Order Date and have entered into binding settlement arrangements with the Applicant or have received a court award in respect of such termination, in each case on or prior to the Initial Order Date and **"Employee"** means any one of them.

"Final Order" means the Order to be made under the CCAA sanctioning this Plan, as such Order may be amended or modified by any court of competent jurisdiction.

"Final Valuation Date" means the Plan Filing Date.

"GTI" means Gandalf Technologies Inc.

"GCL" means Gandalf Canada Ltd., the Applicant.

"Gross Rent" means Minimum Rent together with additional amounts, such as realty taxes, goods and services tax, utilities, and common area maintenance costs, whether or not such amounts are payable as rent, which are payable by the Applicant pursuant to a Lease or other written agreement between the Applicant and a Real Property Creditor in respect of an Abandoned Premises.

"Initial Order" means the Order made July 25, 1997, as amended, pursuant to which, *inter alia*, the CCAA Companies were provided protection under the CCAA.

"Initial Order Date" means July 25, 1997.

"Interim Creditors" means Creditors who have supplied or do supply services, utilities, goods or materials to the Applicant during the Stay Period, and **"Interim Creditor"** means any one of them.

"Lease" means any lease, sublease, agreement to lease, offer to lease, occupancy agreement or similar the Applicant CCAA Company has or had the right to occupy premises and includes all amendments and supplements thereto and all documents ancillary thereto.

"Meetings" means the meetings of the Creditors called for the purpose of considering and voting in respect of this Plan pursuant to the CCAA and **"Meeting"** means any one of such meetings.

"Minimum Rent" means the minimum, basic or base rent applicable to an Abandoned Premises but does not include additional amounts such as realty taxes, goods and services taxes, utilities, and common area maintenance costs whether or not such amounts are payable as rent.

"Monitor" means Deloitte & Touche Inc., the monitor appointed pursuant to the Initial Order.

"Notice of Revision or Disallowance" means a notice delivered by the Applicant to a Creditor advising such Creditor that the Applicant has revised or rejected all or part of the Claim set out in such Creditor's Proof of Claim and Schedule to Proof of Claim.

"OBCA" means the *Business Corporations Act*, R.S.O. 1990, c. B.16.

"Order" means any order of the Court in the CCAA Proceedings.

"Person" means any individual, partnership, joint venture, trust, corporation, unincorporated organization, government or any agency or instrumentality thereof, or any other juridical entity howsoever designated or constituted.

"Plan" means this plan of compromise or arrangement under the CCAA, as amended or supplemented from time to time.

"Plan Filing Date" means October 3, 1997, being the date upon which this Plan was filed with the Court in the CCAA Proceedings.

"Plan Implementation Date" means a Business Day selected by the Monitor which is not more than 45 days after the date on which the Final Order is made or such later date as may be fixed by the Court.

"Proof of Claim" means a proof of claim filed in accordance with the provisions of Section 8.1.

"Proven Claim" means the amount of the Claim of a Creditor finally determined in accordance with the provisions of the CCAA and of this Plan.

"Proxy" means a proxy filed in accordance with the provisions of Section 8.2.

"Qualifying Debenture Holders" means the registered holders of the Qualifying Debentures and **"Qualifying Debenture Holder"** means any one of them.

"Qualifying Debentures" means the debentures issued by each of the CCAA Companies pursuant to certain trust deeds between each of the CCAA Companies and Rodolph W. Groulx, as trustee.

"Real Property Creditor" means a landlord, head landlord or owner of real property, whether or not in direct privity with the Applicant, who has a Claim in respect of any premises leased or guaranteed by the Applicant pursuant to a Lease to which such landlord, head landlord or owner is a party or by which such landlord, head landlord or owner is bound, and includes (i) any mortgagee of such premises who has taken possession of such premises or is collecting rent in respect of such premises; (ii) any Person who has taken an assignment of rents or assignment of lease in respect of such premises, whether as security or otherwise; and (iii) any shareholder or trust beneficiary of such landlord, head landlord or owner whose Claim would be duplicative or derivative of the Claim of such landlord, head landlord or owner.

"Real Property Creditor's Abandoned Premises Claim" means the Claim of a Real Property Creditor in respect of an Abandoned Premises and, for greater certainty, does not include the Real Property Creditor's Arrears Claim, if any, of such Real Property Creditor in respect of such Abandoned Premises but shall be comprised of and be equal to the present value of the Minimum Rent accruing due up to a maximum amount equal to six months Gross Rent.

"Real Property Creditor's Arrears Claim" means the Claim of a Real Property Creditor for arrears of Gross Rent in respect of a Lease and, for greater certainty, does not include the Real Property Creditor's Abandoned Premises Claim, if any, of such Real Property Creditor in respect of any Abandoned Premises which are subject to such Lease which arrears shall be calculated on a per diem basis to but not including the Initial Order Date.

"Retained Employees" means those Employees that are designated or qualified as such under the Employee Retention Plan and **"Retained Employee"** means any one of them.

"Schedule to Proof of Claim" means the schedule to Proof of Claim referred to in Section 8.1.

"Secured Creditors" means Persons, other than the Bank and Real Property Creditors in such capacity, with Claims secured by a Charge against the assets of the Applicant or secured by a letter of credit.

"Shareholders" means all holders of shares of the Applicant and **"Shareholder"** means any one of them.

"Stay Date" means originally October 31, 1997 and currently December 15, 1997 or such later date as may be ordered by the Court.

"Stay Period" means the period from and including the Initial Order Date to and including the Stay Date.

"Unaffected Obligations" means the Claims against the Applicant which are described in Section 3.2 and **"Unaffected Obligation"** means any one of such Claims.

"Unliquidated Claims" means Claims that have not been finally determined either as to liability or amount and **"Unliquidated Claim"** means any one of such Claims.

"Unsecured Creditors" means all Creditors of the Applicant with Claims other than Claims in respect of Unaffected Obligations and other than Claims dealt with in any other Class of Creditors and **"Unsecured Creditor"** means any one of such Creditors.

"Valuation Date" means July 25, 1997.

1.2 **Certain Rules of Interpretation**

In this Plan and the Schedules hereto:

- (a) all accounting terms not otherwise defined herein shall have the meanings ascribed to them, from time to time, in accordance with Canadian generally accepted accounting principles, including those prescribed by the Canadian Institute of Chartered Accountants;

- (b) all references to currency are to United States Dollars unless specifically indicated otherwise;
- (c) if, for the purposes of voting or distributions, an amount denominated in a currency other than U. S. Dollars must be converted to U. S. Dollars, such amount shall be regarded as having been converted at the noon spot rate of exchange quoted by Royal Bank of Canada for exchanging such currency to U. S. Dollars as at the Initial Order Date;
- (d) the division of this Plan into Articles and Sections and the insertion of a table of contents are for convenience of reference only and do not affect the construction or interpretation of this Plan, nor are the descriptive headings of Articles and Sections intended as complete or accurate descriptions of the content thereof;
- (e) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Plan or a Schedule hereto to such Person (or Persons) or circumstances as the context otherwise permits;
- (f) the words "includes" and "including" and similar terms of inclusion shall not, unless expressly modified by the words "only" or "solely", be construed as terms of limitation, but rather shall mean "includes but is not limited to" and "including but not limited to", so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (g) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Ottawa, Ontario and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day;
- (h) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next succeeding Business Day if the last day of the period is not a Business Day;
- (i) whenever any payment to be made or action to be taken under this Plan is required to be made or to be taken on a day other than a Business Day, such payment shall be made or action taken on the next succeeding Business Day;
- (j) unless otherwise provided, any reference to a statute or other enactment of parliament or a legislature includes all regulations made thereunder, all

amendments to or re-enactments of such statute or regulations in force from time to time, and, if applicable, any statute or regulation that supplements or supersedes such statute or regulation; and

- (k) references to a specified Article, Section or Schedule shall, unless something in the subject matter or context is inconsistent therewith, be construed as references to that specified article or section of, or schedule to, this Plan, whereas the terms "this Plan", "hereof", "herein", "hereto", "hereunder" and similar expressions shall be deemed to refer generally to this Plan and not to any particular Article, Section, Schedule or other portion of this Plan and include any documents supplemental hereto.

1.3 Schedules

Each of the following Schedules annexed hereto is an integral part of this Plan:

Schedule "A"	-	Proof of Claim and Proxy
Schedule "B"	-	Voting Letter
Schedule "C"	-	List of Creditors

1.4 Successors and Assigns

This Plan shall be binding upon and shall enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in, or subject to, this Plan.

1.5 Governing Law

This Plan shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. All questions as to the interpretation of or application of this Plan and all proceedings taken in connection with this Plan and its provisions shall be subject to the exclusive jurisdiction of the Court.

ARTICLE 2 PURPOSE AND EFFECT OF PLAN

2.1 Purpose

The purpose of this Plan is to continue operating the service and maintenance business of the Applicant until such time as same can be sold or until the business no longer remains viable at which time any remaining assets will be liquidated and distributed proportionately to the Creditors. A number of potential purchasers have been identified

and the Applicant is having ongoing negotiations. The anticipated effect of the Plan is to derive a greater benefit from the continued operation of the business and affairs of the Applicant on a going-concern basis than would result from the immediate forced liquidation of the Applicant's assets.

2.2 Overview of Plan

This Plan involves the following essential elements:

- (a) selling the service and maintenance business and other assets of the Applicant in an orderly fashion;
- (b) the satisfaction of the Claims of the Bank in full;
- (c) the satisfaction of the Claims of Secured Creditors;
- (d) the compromise of the Claims of Unsecured Creditors; and
- (e) the compromise of the Claims of the Qualifying Debenture holders.

ARTICLE 3 CREDITORS

3.1 Classification of Creditors

The classification of Creditors for the purposes of considering and voting on this Plan and receiving distributions hereunder are based upon the commonality of interest of such Creditors, such that Creditors with essentially similar rights against the CCAA Companies and which are receiving essentially similar treatment have been grouped together in the following Classes for voting and distribution purposes:

(a) Class 1

Claims of the Bank shall be designated as Class 1.

(b) Class 2

Claims of the Secured Creditors shall be designated as Class 2.

(c) **Class 3**

Claims of the Unsecured Creditors shall be designated as Class 3.

(d) **Class 4**

Claims of the Qualifying Debenture holders shall be designated as Class 4.

3.2

Unaffected Obligations

This Plan does not affect the following:

(a) **Interim Creditors**

Claims of Interim Creditors as such;

(b) **Directors and Officers**

Claims of individuals who are current or former directors or officers of the Applicant for indemnity pursuant to indemnities provided by the Applicant and for Director's fees and disbursements;

(c) **Retained Employees**

Claims of Retained Employees as provided for and secured pursuant to the Employee Retention Plan;

(d) **Bonus Pool Employees**

Claims of Bonus Pool Employees as provided for in the Employee Retention Plan and as may subsequently be secured;

(e) **Advisors**

Claims of the Monitor and the Claims of the legal, accounting and financial advisors to the Applicant incurred for the purposes of reorganizing the debt of the Applicant pursuant to this Plan;

(f) **Insured Claims**

Claims arising in the ordinary course of business against the Applicant which are covered by insurance held by the Applicant, excluding amounts which are up to and including the deductible amounts under such insurance policies

and also excluding claims against the Applicant under Directors and Officers Liability Policies;

except to the extent that such Claims are subject to the stay contained in the Initial Order and the stay more particularly described in Section 5.2 which is to be incorporated in the Final Order.

ARTICLE 4 TREATMENT OF CREDITORS

For purposes of this Plan, the Creditors shall receive the treatment provided in this Article 4 on account of their Claims and on the Plan Implementation Date the Claims affected by this Plan will be compromised in accordance with the terms hereof.

4.1 Bank

(a) Voting of Claim

The Bank shall be entitled to vote in Class 1 to the extent of the amount which is equal to its Proven Claim as a Bank.

(b) Distribution

By the Plan Implementation Date, the Bank if it has a Proven Claim as a Bank shall receive, in full satisfaction of such Claim, payment in full.

4.2 Secured Creditors

(a) Voting of Claim

Each Secured Creditor shall be entitled:

(i) if fully secured, to elect to take in full satisfaction of its Claim as a Secured Creditor the collateral upon which its Charge is secured in which event the Applicant can choose to redeem such collateral for the amount of the Claim of such Secured Creditor failing which such Secured Creditor shall be entitled to vote in Class 2 to the extent of the amount which is equal to its Proven Claims as a Secured Creditor; or

(ii) if partially secured, to value its security and vote in Class 2 to the extent of the amount thereof which is equal to its Proven Claim as a Secured Creditor and claim as an Unsecured Creditor and vote in

Class 3 for any deficiency in which event the Applicant can choose to pay the Secured Creditor the assessed value and take the collateral upon which the Charge of the Secured Creditor is secured; or

(iii) if holding a valid letter of credit, to draw on any letter of credit held by it and vote in Class 2 to the extent of the amount thereof which is equal to its Proven Claim as a Secured Creditor and claim as an Unsecured Creditor and vote in Class 3 for any deficiency.

(b) Distribution

By the Plan Implementation Date, each Secured Creditor shall be entitled:

(i) if it is fully secured either to take the collateral upon which its Charge is secured or be paid in full, as the case may be; or

(ii) if it is partially secured and the Applicant chose to pay the assessed value, to be paid the amount of the assessed value.

4.3 Unsecured Creditors

(a) Voting of Claim

Each Unsecured Creditor shall be entitled to vote in Class 3 to the extent of the amount which is equal to its Proven Claims as an Unsecured Creditor which shall include a Real Property Creditor's Abandoned Premises Claim and a Real Property Creditor's Arrears Claim.

(b) Distribution

On the Plan Implementation Date, each Unsecured Creditor with Proven Claims as an Unsecured Creditor shall be paid pro rata out of the net realization of all assets of the Applicant after paying all costs of realization and Unaffected Obligations and satisfying Claims of the Bank, of Secured Creditors and Qualifying Debenture Holders.

4.4 Qualifying Debenture Holders

(a) Voting of Claim

Each Qualifying Debenture Holder shall be entitled to vote in Class 4 to the extent of the amount which is equal to its Proven Claim as a Qualifying Debenture Holder.

(b) Distribution

Within 30 days of the Plan Implementation Date, each Qualifying Debenture Holder shall receive in full satisfaction of the Claim of such Qualifying Debenture Holder, as such, an amount equal to \$2.00 for each Qualifying Debenture held by such Qualifying Debenture Holder.

4.5 Claims which are Unaffected Obligations

Each Creditor who has a Claim which is an Unaffected Obligation shall not be entitled to vote or to receive any distributions under this Plan in respect of such Unaffected Obligation.

4.6 Guarantees and Similar Covenants

No Person who has a Claim under any guarantee, surety, indemnity or similar covenant in respect of any Claim which is compromised under this Plan or who has any right to claim over in respect of or to be subrogated to the rights of any Person in respect of a Claim which is compromised under this Plan shall be entitled to any greater rights than the Creditor whose Claim was compromised under this Plan.

4.7 Claims Generally

(a) Assignment of Claims

If a Creditor who has a Proven Claim transferred or transfers all or part of its Proven Claim and the transferee delivers evidence of its ownership of all or part of such Proven Claim and a written request to the Applicant, no later than five days prior to the date of the Meeting of the Creditors of the Class to which such Proven Claim is subject, that such transferees' name be included on the list of Creditors entitled to vote at such Meeting, such transferee shall be entitled to attend and vote the transferred portion of the Proven Claim at such Meeting, provided, however, that for the purposes of determining whether this Plan has been approved by a majority in number of the Creditors of such Class, only the vote of the transferor or the transferee, whichever holds the highest dollar value of Proven Claim, will be counted, and, if such value shall be equal, only the vote of the transferee will be counted. If one Proven Claim has been transferred to more than one transferee, for purposes of determining whether this Plan has been approved by a majority in number of the Creditors of the Class to which such Proven Claim is subject, only the vote of the transferee with the highest value of Proven Claim will be counted unless all of the transferees of such Proven Claim deliver a notice to the Applicant at least five days prior to the date of

the Meeting of the Creditors of the Class to which such Proven Claim is subject and designate therein the name of the transferee whose vote is to be counted, in which case the vote of such designated transferee will be counted.

(b) Provable Claims

- (i) The Proven Claim of a Creditor shall be net of any amount owing by the Creditor to the Applicant as at the Initial Order Date. For greater certainty, the Applicant shall be entitled to exercise rights of set-off as at the Initial Order Date in respect of transactions relating to purchases and transactions occurring prior to the Initial Order Date on a per diem basis notwithstanding that the relevant contract, agreement or arrangement relating to such transactions provides for a calculation of or entitlement to offsets or discounts on a different basis.
- (ii) No amount shall be provable as a Claim by a Creditor in respect of obligations incurred by the Applicant prior to the Initial Order Date which have not been asserted in writing by a Creditor since that date and prior to filing of a Proof of Claim in accordance with this Plan.

4.8 Effect of Plan Generally

On the Plan Implementation Date the treatment of Claims under this Plan shall be final and binding on the Applicant and all Creditors affected thereby (and their respective heirs, executors, administrators, legal representatives, successors and assigns), and the Plan shall constitute (i) full, final and absolute settlement of all rights of the holders of all Claims; (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Applicant or in respect of the Claims affected hereby and any Charges granted by the Applicant in respect thereof; and (iii) a termination of all Leases, pertaining to premises abandoned by the Applicant.

4.9 Waiver of Defaults

From and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults then existing or previously committed by the Applicant or caused by the Applicant or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, credit document, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such Person and the Applicant or any other Person and any and all notices of default and demands for payment under any instrument, including any guarantee, shall be deemed to have been rescinded.

ARTICLE 5
STEPS OF THE PLAN AND CLOSING PROCEDURES

5.1 Implementation of Plan

Subject to the satisfaction or waiver (in accordance with Section 9.1) of the conditions set forth in Section 6.2, on the Plan Implementation Date the Applicant shall make an interim distribution to the Creditors of such funds as the Monitor shall determine to be then available for distribution and thereafter as and when funds become available as determined by the Monitor, all such distributions to be made firstly in satisfaction of the Claim of the Bank, then of the Claims of the Secured Creditors, then of the Claims of Unsecured Creditors and then of the Claims of Qualifying Debenture Holders.

5.2 Effect of Final Order

In addition to sanctioning this Plan, the Final Order shall, among other things:

- (a) declare that the compromises effected hereby are approved, binding and effective as herein set out upon all Creditors affected by this Plan;
- (b) declare that, subject to the performance by the Applicant of its obligations under this Plan and except to the extent, if any, expressly contemplated by this Plan or the Final Order, all obligations or agreements to which the Applicant is a party shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no Person party to any such obligation or agreement shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution, buy-out, divestiture, forced sale, option or other remedy) under or in respect of any such obligation or agreement, by reason:
 - (i) of any event(s) which occurred on or prior to the Initial Order Date which would have entitled any other Person party thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the financial condition or insolvency of the Applicant; or
 - (ii) of the fact that the Applicant has sought or obtained relief under the CCAA; or
 - (iii) of the effect on the Applicant of the completion of any of the transactions contemplated by this Plan or the Reorganization; or
 - (iv) of any compromises or arrangements effected pursuant to this Plan;

- (c) authorize and direct the Monitor, in its capacity as trustee under the Employee Retention Plan, to pay or cause to be paid to the Retained Employees and the Bonus Pool Employees all amounts to which each such Employee is entitled thereunder; and
- (d) stay any and all steps or proceedings including, without limitation, administrative orders, declarations or assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against any or all the Applicant in respect of any Claim.

ARTICLE 6

CONDITIONS PRECEDENT

6.1 Application for Final Order

The Applicant or the Monitor shall apply for the Final Order within seven days following the date upon which Creditor Approval of this Plan is obtained. The Final Order shall not become effective until the Plan Implementation Date. On the Plan Implementation Date, subject to the satisfaction or waiver of the conditions contained in Section 6.2, and subject to Section 5.1 the Plan will be implemented by the Applicant or the Monitor, as the case may be, and will be binding upon all Persons having Claims against the Applicant to the extent of their Claims. If the conditions contained in Section 6.2 are not satisfied or waived on or before the Plan Implementation Date, this Plan and the Final Order shall cease to have any further force or effect.

The Applicant or the Monitor, as the case may be, may apply for an interim Order extending the Stay Period so that the application for the Final Order may be made before the Stay Period expires and the Stay Period shall not expire until the Plan Implementation Date.

6.2 Conditions Precedent to Implementation of Plan

The Implementation of this Plan shall be conditional upon the fulfilment or waiver (in accordance with Section 9.1) of the following conditions:

(a) Approval

The Applicant shall have taken all corporate actions and proceedings in the reasonable opinion of the Applicant necessary to approve this Plan and to enable it to execute, deliver and perform its obligations under this Plan.

(b) Appointment of Monitor as Receiver and Manager

The Monitor shall have been appointed by the Court as Receiver and Manager of the then remaining assets, property and undertaking of the Applicant, wherever situate (the "Property") with the authority and power to take and control any and all receipts and disbursements arising out of or from the Property, without security and with authority to act at once in respect of the Property until further Order of the Court including, inter alia, making payments and distributions in accordance with any Orders of the Court in respect thereto and with this Plan.

(c) Expiry of Appeal Period

The appeal period with respect to the Final Order shall have expired without an appeal of the Final Order having been commenced or, in the event of an appeal or application for leave to appeal, a final determination shall have been made by the applicable appellate tribunal.

(d) Governmental Approvals

All applicable governmental, regulatory and judicial consents, orders and similar consents and approvals and all filings with all governmental authorities, securities commissions, stock exchanges and other regulatory authorities having jurisdiction, in each case to the extent deemed necessary or desirable by counsel to the Applicant and in form and substance satisfactory to the Applicant for the completion of the transactions contemplated by this Plan or any aspect hereof, shall have been obtained or received.

**ARTICLE 7
MEETINGS AND PROCEDURAL MATTERS**

7.1 Meetings of Creditors

- (a)** Meetings shall be held in accordance with this Plan, the Initial Order and any further Order.
- (b)** Unless otherwise designated by the Applicant or ordered by the Court, all Meetings shall be conducted by the Applicant and all Proofs of Claim shall be delivered in accordance with the provisions of this Plan and the Initial Order.

- (c) Unless otherwise ordered by the Court, a representative of the Monitor shall preside as the chair of each Meeting and shall decide all matters relating to the conduct of the Meeting. The only Persons entitled to attend a Meeting are those Persons, including the holders of proxies, entitled to vote at the Meeting, their legal counsel and advisors and the officers, directors, auditors and legal counsel of the Applicant and the Monitor. Any other Person may be admitted on invitation of the chair of the Meeting or with the majority consent of the Creditors represented in person or by proxy at the relevant Meeting.

7.2 Approval by Creditors

In order that this Plan be binding on the Creditors in accordance with the CCAA, it must first be accepted by each Class of Creditors as prescribed by this Plan by a majority in number of the Creditors in such Class who actually vote on this Plan (in person or by proxy) at the relevant Meeting, representing three-quarters (75%) in value of the Proven Claims of the Creditors in such Class who actually vote on this Plan (whether in person or by proxy) at the Meeting. Any Creditor wishing to vote on this Plan must have submitted a proof of claim as provided for in Section 8.1.

7.3 Loss of Right to Receive Distributions

Any Creditor that has not submitted a Proof of Claim in respect of a Claim (an "Unsubmitted Claim") in accordance with the terms of Section 8.3 will not be entitled to receive any distributions under this Plan in respect of the Unsubmitted Claim, unless otherwise ordered by the Court or agreed to by the Applicant, and on the Plan Implementation Date, the Unsubmitted Claims shall be released and discharged in accordance with Section 10.5.

ARTICLE 8 CLAIMS PROCESS

8.1 Proof of Claims

- (a) A Proof of Claim and Proxy in the form attached hereto as Schedule "A" and a Voting Letter in the form attached as Schedule "B" will be mailed to each Creditor of the Applicant who, to the knowledge of the Applicant had a Claim as of the Initial Order Date or arising after the Initial Order Date. In addition, no later than October 20, 1997, the Applicant shall publish a Notice to Creditors in the Globe and Mail (National Edition) and the Wall Street Journal, (National Edition) which will provide that any Creditor with a Claim which has not been sent the

Proof Claim must deliver a notice of its Claim in writing to the Applicant by no later than October 24, 1997. The Applicant shall send by facsimile where possible or by delivery to each such creditor, the Proof of Claim and Proxy as soon as practicable after receipt of a notice of Claim. In order for a Creditor to be entitled to attend and vote, in person or by proxy at the Meeting for a Class, such Creditor must file such Creditor's duly completed Proof of Claim and Proxy, if applicable, must have been filed with the Applicant by not later than November 7, 1997;

- (b) A Creditor with a Claim that has not delivered a Proof of Claim in the manner specified herein shall not be entitled to attend or vote at any of the Meetings;
- (c) A Creditor who has filed a Proof of Claim in accordance with the provisions hereof shall be entitled to attend the Meeting in which such Creditor's Claim falls and to vote thereat in respect of the amount of such Creditor's Claim if:
 - (i) a Notice of Revision or Disallowance has not been delivered by the Applicant to the Creditor three or more days prior to the Meeting; or
 - (ii) a Notice or Revision or Disallowance has been delivered by the Applicant to the Creditor more than three days prior to the Meeting of the Class of Creditors into which such Creditor's Claim falls, such Creditor has delivered a Dispute Notice within the relevant time period, and such Claim has not been finally determined as contemplated herein and if the Applicant: (i) accepts the Creditor's determination of the value of the Claim only for the purposes of voting on this Plan and conducts the vote of the Class into which such Creditor's Claim falls, subject to a final determination of its Claim; or (ii) delays the vote of the Class into which the Creditor's Claim falls until a final determination of such Claim is made; or (iii) deals with the matter as the Court may direct.

8.2 Proxies

A Creditor entitled to vote at any of the Meetings may appoint another person to attend and vote on its behalf at such Meeting by completing and returning a proxy in accordance with the terms herein specified. A form of proxy is attached hereto as part of Schedule "A".

8.3 Acceptance, Revision or Rejection of Claims

In order for a Creditor to be entitled to receive any distributions under this Plan, such Creditor's duly completed Proof of Claim and Schedule to Proof of Claim must have been filed with the Applicant by not later than December 31, 1997. Each Proof of Claim and Schedule to Proof of Claim pertaining to Claims which is submitted will be examined by representatives of the Applicant and will either be accepted, revised or rejected by the Applicant for distribution purposes under this Plan. The Applicant shall, not later than January 30, 1998, notify each Creditor who has filed a Proof of Claim as to whether such Creditor's Claim has been revised or rejected and the reasons therefor by delivery of a Notice of Revision or Disallowance by facsimile or registered mail. If the Applicant does not deliver by the aforementioned date a Notice of Revision or Disallowance to a Creditor who has submitted a Proof of Claim, the Applicant shall be deemed to have accepted such Creditor's Claim, and such Creditor's Claim shall be treated as a Proven Claim for voting and distribution purposes.

8.4 Disputing a Notice of Revision or Disallowance Regarding Claims

Any Creditor who intends to dispute a Notice of Revision or Disallowance in respect of a Claim shall, within five days of the date of delivery of the Notice of Revision or Disallowance, deliver a notice in writing to the Monitor and the Applicant of such intention and shall apply to have the value of its Claim determined by the Monitor in accordance with the procedure set out in this Plan. Where a Creditor to whom a Notice of Revision or Disallowance is delivered fails to deliver a Dispute Notice or to apply to the Monitor for a determination of the value of its Claim within the aforesaid time limits, the value of such Creditor's Claim shall, for all purposes under this Plan, be deemed to be as set out in the Notice of Revision or Disallowance.

8.5 Resolving Disputed Claims Regarding Claims

On receiving a Dispute Notice and supporting application materials in respect of a Claim from a Creditor, the Monitor shall attempt to resolve the dispute between the Applicant and such Creditor, and the Monitor shall, by no later than five days from the date of delivery of the Dispute Notice (or such other period as the Monitor shall determine after taking into account the timetable established for the meeting of classes of Creditors and subject to the direction of the Court), deliver a notice to the Applicant and such Creditor

specifying therein the value of the Creditor's Claim for all purposes under this Plan. Subject to the direction of the Court, the Monitor shall determine the manner, if any, in which evidence may be brought before him as well as any other procedural matters which may arise in respect of his determination of a Creditor's Claim.

8.6 Appeals of Determinations by the Monitor in Respect of Claims

Either a Creditor or either of the Applicant may, within five days of delivery of the Monitor's notice of determination of the value of a Creditor's Claim, appeal such determination to the Court by filing with the Court a notice of motion, which motion shall be made returnable within five days of the filing of the notice of motion or as the Court may direct, failing which appeal such determination shall, subject to further Order, be final and binding on the Applicant and the Creditor for all purposes under this Plan.

8.7 Interim Distributions of Claims

If a Dispute Notice relates only to a part of a Creditor's Claim, the Applicant shall make interim distributions to the Creditor as are required under this Plan, based on the portion of the Creditor's Claim which has not been disallowed by the Applicant, pending final determination of such Creditor's Claim. To the extent that it is thereafter determined that the Creditor's Claim is greater than that for which the Applicant made interim payments, the Applicant shall forthwith make such further payments contemplated by this Plan to such Creditor so that such Creditor shall receive the aggregate amount of payments which such Creditor would have received if its Claim had been finally determined prior to the Plan Implementation Date.

8.8 Unliquidated Claims

Each Creditor who has a Claim as of the Final Valuation Date that is an Unliquidated Claim must have filed a Proof of Claim in accordance with this Plan, failing which such Creditor's Claim and entitlement to a distribution, if any, shall be extinguished. Each Creditor who has an Unliquidated Claim shall be entitled to receive a distribution in accordance with the terms of this Plan in respect of such Unliquidated Claim only after such Unliquidated Claim has been liquidated.

For the foregoing purposes an Unliquidated Claim shall be deemed to be liquidated at such time as the amount of such Unliquidated Claim has been quantified as follows:

- (a) upon receipt of a Creditor's Proof of Claim and Schedule to Proof of Claim with respect to an Unliquidated Claim, the Applicant shall value such Claim and deliver a notice in writing to the Creditor advising the Creditor of such value. If such Creditor does not apply to the Monitor for a determination of

the value of the Unliquidated Claim within five days after delivery of notice of the value of such Unliquidated Claim from the Applicant, such Creditor shall be deemed to have accepted the valuation of such Unliquidated Claim as determined by the Applicant and such Claim shall be deemed to be a Proven Claim for such value; or

- (b) if such Creditor does apply to the Monitor for a determination of the value of the Unliquidated Claim within such five day period, upon the determination of the value, if any, of the Unliquidated Claim by the Monitor, the Claim shall be deemed to be a Proven Claim for such value. Such determination may be appealed by the Applicant or the Creditor in the manner and within the time limits set forth in Section 8.6.

8.9 Notices of Revision or Disallowance for Assigned Claims

In the event that a portion of a Claim which is held by more than one Creditor is disallowed, such disallowed portion shall be allocated amongst such Creditors pro rata according to their holdings of the Claim unless a contrary direction is provided by all such holders of the Claim seven days prior to the Plan Implementation Date or unless otherwise ordered by the Court.

ARTICLE 9 AMENDMENT AND TERMINATION OF PLAN

9.1 Plan Amendment

The Applicant reserves the right, at any time and from time to time, to amend, modify and/or supplement this Plan, or to waive in whole or in part any condition from time to time set forth in Article 6, provided that any such amendment, modification, supplement or waiver must be contained in a written document which is (i) filed with the Court and, if made following the Meetings, approved by the Court; and (ii) communicated to the Creditors in the manner required by the Court (if so required).

Any amendment, modification, supplement or waiver may be made following the Final Order unilaterally by the Applicant, provided that it concerns a matter which, in the opinion of the Applicant, acting reasonably, is of an administrative nature required to better give effect to the implementation of this Plan and the Final Order and is not adverse to the financial or economic interests of any Class of Creditors.

Any supplementary plan or plans of compromise or arrangement filed with the Court shall, for all purposes, be and be deemed to be a part of and incorporated in this Plan.

ARTICLE 10 GENERAL PROVISIONS

10.1 Termination

At any time until the Plan Implementation Date, the Applicant may determine not to proceed with this Plan, notwithstanding any prior approvals given at any of the Meetings.

10.2 Paramountcy

From and after the Plan Implementation Date, any conflict between this Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, credit document, agreement for sale, by-laws of the Applicant, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Creditors and the Applicant as at the Plan Implementation Date will be deemed to be governed by the terms, conditions and provisions of this Plan and the Final Order, which shall take precedence and priority.

10.3 Compromise Effective for all Purposes

The payment, compromise or other satisfaction of any Claim under this Plan, if sanctioned and approved by the Court shall, in the case of any Creditor whose Claim is in a Class voting in favour of this Plan, be binding on such Creditor, its heirs, executors, administrators, legal personal representatives, successors and assigns, for all purposes and, to such extent, shall also be effective to relieve any third party directly or indirectly liable for such indebtedness, whether as guarantor, indemnitor, tenant, director, joint covenantor, principal or otherwise.

10.4 Consents, Waivers and Agreements

Upon the implementation of this Plan on the Plan Implementation Date, each Creditor shall be deemed to have consented and agreed to all of the provisions of this Plan as an entirety. In particular, each Creditor shall be deemed:

- (a) to have executed and delivered to the Applicant all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Plan as an entirety;
- (b) to have waived any non-compliance by the Applicant with any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Creditor and the Applicant that has occurred on or prior to the Plan Implementation Date; and
- (c) to have agreed that, if there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Creditor and the Applicant as at the Plan Implementation Date (other than those entered into by the Applicant on, or with effect from, the Plan Implementation Date) and the provisions of this Plan, the provisions of this Plan take precedence and priority and the provisions of such agreement or other arrangement shall be deemed to be amended accordingly.

10.5 Releases

Upon the implementation of this Plan on the Plan Implementation Date, the Applicant and each and every present and former shareholder, officer, director, employee, auditor, financial advisor, legal counsel and agent of the Applicant and the Monitor, acting in such capacities, shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, including, without limitation, any and all claims in respect of potential statutory liabilities of the former, present and future directors and officers of the Applicant for which the Initial Order authorized the granting of security, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Plan Implementation Date relating to, arising out of or in connection with the Claims, the business and affairs of the Applicant, this Plan and the CCAA Proceedings.

10.6 Deeming Provisions

In this Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

10.7 Copies of Plan

Copies of this Plan will be mailed to the Creditors.

10.8 Notices

Any notice or communication to be delivered hereunder shall be in writing and shall reference this Plan and may, subject as hereinafter provided, be made or given by personal delivery, by courier by prepaid mail or by telecopier addressed to the respective parties as follows:

(a) if to the Applicant until October 10, 1997:

Gandalf Canada Ltd.
100 Colonnade Road South
Nepean, Ontario
K2E 7M4

Attention: Richard D. Busto, President
Telecopier: (613) 274-6505

and thereafter:

Gandalf Canada Ltd.
c/o Deloitte & Touche Inc.
Royal Bank Centre
Suite 1000
90 Sparks Street
Ottawa, ON K1P 5N4

Telecopier: (613) 274-6505

(b) if to a Creditor:

to the known address (including telecopier number) for such Creditor or the address for such Creditor specified in the proofs of claim filed by such Creditor in the CCAA Proceedings

(c) if to the Monitor:

Deloitte & Touche Inc.
 Royal Bank Centre
 Suite 1000
 90 Sparks Street
 Ottawa, ON K1P 5B4

Attention: David Boddy, Senior Vice-President
 Telecopier: (613) 563-2244

or to such other address as any party may from time to time notify the others in accordance with this Section. In the event of any strike, lock-out or other event which interrupts postal service in any part of Canada or the United States of America, all notices and communications during such interruption may only be given or made by personal delivery, by courier or by telecopier. All such notices and communications which are delivered shall be deemed to have been received on the date of delivery. All such notices and communications which are telecopied shall be deemed to be received on the date telecopied if sent before 5:00 p.m. Ottawa time on a Business Day and otherwise shall be deemed to be received on the Business Day next following the day upon which such telecopy was sent. Any notice or other communication sent by mail shall be deemed to have been received on the fifth Business Day the Applicant to give a notice contemplated hereunder shall not invalidate any action taken by any Person pursuant to this Plan.

10.9 Different Capacities

Creditors whose Claims are affected by this Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, each such Creditor shall be entitled to participate hereunder in each such capacity. Any action taken by a Creditor in any one capacity shall not affect the Creditor in any other capacity, unless expressly agreed by the Creditor in writing or unless the Claims overlap or are otherwise duplicative.

10.10 Further Assurances

Notwithstanding that the transactions and events set out in this Plan shall be deemed to occur without any additional act or formality other than as set out herein, each of the Persons affected hereby shall make, do and execute or cause to be made, done or executed all such further acts deeds, agreements, transfers, assurances, instruments, documents or discharges as may be reasonably required by the Applicant in order to better implement this Plan.

TAB J

returnable on Friday, November 7, 1997 and an order that any requirement to serve this Notice of Motion and the Motion Record herein on any interested parties other than those named herein be dispensed with;

- (ii) an Order appointing Deloitte & Touche Inc. (hereinafter referred to as "DT"), the Monitor appointed pursuant to the Order made July 25, 1997 pursuant to which, inter alia, the Applicants were provided protection under the *Companies' Creditors Arrangement Act* as receiver and manager of the assets, property and undertaking of each of the Applicants; and
- (iii) such further and other necessary or ancillary relief as is usual or as to this Honourable Court seems just;

was heard this day at the Court House, 161 Elgin Street, Ottawa.

ON READING the Motion Record of the Applicants and upon hearing counsel for the Applicants, the Royal Bank of Canada and other creditors:

1. **THIS COURT ORDERS** that DT be and it is hereby appointed receiver and manager of the assets, property and undertaking of each of the Applicants, wherever situate (hereinafter referred to as "the Property"), with the authority and power to take and control any and all receipts and disbursements arising out of or from the Property, without security and with authority to act at once in respect of the Property until further Order of this Court.

2. **THIS COURT ORDERS** that the Applicants, any of their present and former directors, officers, employees, agents, shareholders, any other persons acting on their instructions, and all other persons having notice of this Order (all of whom are collectively referred to as the "Individuals") do forthwith grant access to and deliver possession of the Property to the receiver and manager, including, without limitation, all of the books, records, documents and information of every nature and kind whatsoever, wheresoever situate and related in any way to the Property including without limitation, all budgets, accounting records, books, papers, computer records, computer programs, computer tapes, dealer records, franchise records, leases and agreements, and any other records of every kind and nature relating to the Applicants (collectively the "Information"), and all monies, cheques, postdated cheques, credit vouchers and remittances of every kind and nature, whenever and howsoever arising in respect of the Property.

3. **THIS COURT ORDERS** that the Individuals are hereby restrained and enjoined from disturbing or interfering with the receiver and manager and with the exercise of the powers and authority of the receiver and manager conferred hereunder.

4. **THIS COURT ORDERS** that the receiver and manager is entitled to make and take away copies of any of the Information.

5. **THIS COURT ORDERS** that if any of the Information is stored or otherwise contained on a computer or other electronic system of information storage, and if the receiver and manager has not otherwise been given timely access to the Information, the Applicants and the Individuals shall forthwith give unfettered access to the receiver and manager for the purpose of allowing the receiver and manager to obtain a full copy of the Information whether by way of printing the Information onto paper or making copies of computer discs or such other manner of retrieving and copying the Information as the receiver and manager in its discretion deems expedient. For the purposes of this paragraph, the Applicants and the Individuals shall provide the receiver and manager with all such assistance in gaining access to the Information as the receiver and manager may in its discretion require, including, without limiting the generality of the foregoing, providing the receiver and manager with instructions on the use of any computer or other system and providing the receiver and manager with any and all access codes as may be required to gain access to the Information.

6. **THIS COURT ORDERS** that the receiver and manager be and it is hereby authorized and empowered, but not obligated, to do any or all acts that in its opinion are necessary or desirable for the purposes of receiving, managing, operating, preserving, protecting and realizing on the Property, or any part or parts thereof. Without limiting the generality of the foregoing, the receiver and manager is authorized and empowered, but not obligated, to do the following, until further order of this Court:

- (a) to take possession of the Property, manage, operate, maintain, protect and preserve the Property and to take such steps as in the opinion of the receiver and manager are necessary or appropriate to establish and maintain control over the Property, or any part or parts thereof, including but not limited to the changing of locks and security codes, the engaging of independent security personnel, the taking of physical inventories as may be deemed necessary or appropriate in the discretion of the receiver and manager, and the placement of adequate insurance coverages as required;
- (b) subject to paragraphs 6(g) and 7 hereof, to market the Property, negotiate a sale, and enter into an agreement of purchase and sale with potential purchasers on such terms and conditions as the receiver and manager in its discretion may determine in respect of the Property or any part or parts thereof, subject to the approval by this Court of any sale;
- (c) to apply ~~ex parte~~ ^{✓ on notice at least to the Royal Bank of Canada} for any vesting order which may be required to convey the Property or any part or parts thereof to any purchaser or other party free and clear of any liens or encumbrances affecting such Property;
- (d) to exercise all rights of a shareholder in respect of any subsidiaries of either of the Applicants;

- (e) to pay ongoing expenses incurred on and after the date of this Order which arise out of or in connection with the day to day operations of the Property including without limitation, ground and other rents, utilities, heating, maintenance, insurance, supplies and like expenses;
- (f) to make such repairs, alterations or extensions to the Property as the receiver and manager deems advisable;
- (g) to sell, transfer or assign whether on credit, privately or otherwise, or lease or mortgage the Property or any part or parts thereof out of the ordinary course of business of the Applicants:
 - (i) without the approval of the Court in respect of any transaction not exceeding \$100,000.00, provided that the aggregate consideration for all such transactions does not exceed \$500,000.00; and
 - (ii) otherwise with the approval of the Court, without having any time appointed for redemption, without waiting for the determination of any inquiries or accounts which may be directed herein or in the future, and without further order, provided that the purchase money, rents, proceeds or other consideration arising out of the realization of

the Property or any part thereof shall be paid to the receiver and manager;

- (h) to receive and collect all monies owing or hereafter owing to the Applicants, and to exercise all remedies of the Applicants in collecting all such monies, including to exercise all security held by the Applicants;
- (i) to join in and execute, assign, issue and endorse such transfers, conveyances, contracts, leases, deeds, bills of sale, cheques, bills of lading or exchange, or other documents of whatever nature in the name and on behalf of the Applicants which are necessary, desirable or convenient in the opinion of the receiver and manager for any purpose pursuant to this Order;
- (j) to deal with any governmental ministry, department or agency as authorized agent for the Applicants concerning any liability or obligations outstanding, howsoever arising, and to take all such steps as are necessary or incidental thereto;
- (k) to employ former employees of the Applicants on a temporary basis;

- (l) to execute on behalf of the Applicants and to file with the Official Receiver an assignment in bankruptcy under the *Bankruptcy and Insolvency Act*;
- (m) to enter into arrangements with the trustee in bankruptcy of the Applicants, in respect of the Property or any part or parts thereof; and,
- (n) to make payments and distributions of the net proceeds of the realization of the undertaking and assets of the Applicants in accordance with any Orders of the Court in respect thereto and with the Plans of Compromise or Arrangement filed by each of the Applicants.

7. **THIS COURT ORDERS** that the receiver and manager be and it is hereby fully authorized and empowered to institute, prosecute and continue the prosecution of any and all actions, applications, administrative hearings, arbitrations or proceedings as may in its judgment be necessary or desirable to properly receive, manage, operate, preserve, realize and protect the Property or any part or parts thereof, and to secure payment of rent, franchise fees and accounts from the Property, to defend all applications, proceedings, actions, administrative hearings or arbitrations now pending or hereafter instituted against the Applicants or the receiver and manager, the prosecution or defence of which will, in the judgment of the receiver and manager, be necessary to properly receive, manage, operate, protect, preserve and realize on the Property or to protect the administration of the

receivership, and to settle or compromise any such actions, applications, proceedings, administrative hearings or arbitrations which in the judgment of the receiver and manager should be settled or compromised. The authority hereby conveyed shall extend to such appeals or applications for judicial review as the receiver and manager shall deem proper and advisable in respect of any order or judgment pronounced in any such application, proceeding or action, administrative hearing or arbitration.

8. **THIS COURT ORDERS** that no action, application or other proceeding, including without limitation any private action or proceeding such as, but not limited to the enforcement of security, liens or collection of any debt or liability including any security granted by the receiver and manager in connection with its borrowing or any other powers or duties granted hereunder by any person, including any government department, ministry or authority or any person acting or purporting to act on their behalf, shall be taken or continued against either or both of the Applicants or the receiver and manager without the prior written consent of the receiver and manager, or on at least ten (10) days' notice to the receiver and manager and without leave of this Court first being obtained.

9. **THIS COURT ORDERS** that the receiver and manager shall be at liberty to appoint, employ or retain agents, employees, experts, auditors, accountants, managers, solicitors and counsel, including legal counsel and such other assistants from time to time and on whatever basis, including on a temporary basis, as it may consider necessary or

desirable for receiving, managing, operating, preserving, protecting and realizing on the Property or any part or parts thereof, carrying on the business of the Applicants or generally exercising the powers and duties conferred by this Order. Any expenditure which shall properly be made or incurred by the receiver and manager in so doing, including the fees of the receiver and manager and the fees and disbursements of its legal counsel on a solicitor and client basis, shall be allowed to it in passing its accounts and shall form a charge on the Property in priority to any charge, mortgage, lien, security or interest of any secured creditor in the Property.

10. **THIS COURT ORDERS** that the receiver and manager be at liberty and it is hereby empowered to borrow such monies from time to time as it may consider necessary or desirable not exceeding the principal sum of \$1 million which may but need not be by way of a revolving credit, borrowed or reborrowed, provided that the principal sum is not exceeded at any one time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of exercising the powers and duties conferred by this Order, including interim expenditures. As security for such borrowings and for every part thereof, the whole of the Property together with any other property and assets which may hereafter be in the custody or control of the receiver and manager, or such portion thereof as the receiver and manager determines, shall be charged by way of a fixed and specific charge against the Property for the payment of the monies borrowed, together with interest and charges thereon in priority to all security interests,

liens, charges and encumbrances held by the Applicants, but subject to the right of the receiver and manager and its legal counsel to be indemnified from the Property for their fees, disbursements, liabilities and expenses properly incurred.

11. **THIS COURT ORDERS** that any security granted by the receiver and manager in connection with its borrowings under this Order shall not be enforced without leave of this Court.

12. **THIS COURT ORDERS** that the receiver and manager is at liberty and is authorized to issue receipts or certificates substantially in the form attached as Schedule "B" (the "Receiver's Certificate") for any sums borrowed by it pursuant to this Order.

13. **THIS COURT ORDERS** that the receiver and manager be and it is hereby authorized in its discretion, to borrow on the security of its Receiver's Certificates instead of selling any Receiver's Certificates issued, and in connection therewith to execute such hypothecations or pledges thereof containing such terms and conditions as it shall see fit.

14. **THIS COURT ORDERS** that the monies from time to time borrowed by the receiver and manager pursuant to this Order or to any further order of this Court and any and all receipts and Receiver's Certificates representing the same or any part thereof shall rank on a pari passu basis.

15. **THIS COURT ORDERS** that the receiver and manager be and is hereby authorized and empowered, for the purpose of exercising its powers and duties under this Order, to apply for any permits, licenses, approvals or permissions as may be required by any governmental or regulatory authority, and to participate in any administrative hearings or arbitrations in respect thereto.

16. **THIS COURT ORDERS** nothing herein contained shall vest in the receiver and manager the care, ownership, control, charge, occupation, possession or management (collectively "Possession"), or require or obligate the receiver and manager to occupy, manage, or to take control, care, charge or possession of any of the Property. The receiver and manager shall not be deemed as a result of this Order to be in Possession of the Property or any part thereof within the meaning of the *Fisheries Act*, the *Canada Environmental Protection Act*, the *Transportation of Dangerous Goods Act*, the *Navigable Waters Protection Act*, the *Water Resources Act* (Ont.), the *Environmental Protection Act* (Ont.), *Emergency Plans Act*, (1983) (Ont.), *Fisheries Act* (Ont.), or the regulations thereunder, or any legislation, federal, provincial or otherwise, affecting the environment or the transportation of goods ("Environmental Laws"), which may have application in any jurisdiction in which any of the Property is situate.

17. **THIS COURT ORDERS** that the receiver and manager may enter into the Property for the purpose of investigating the existence, nature, extent or exposure of

environmental concerns, contaminants, hazards or waste or to conduct an environmental audit or investigation and in connection therewith the receiver and manager shall not thereby be deemed to be in Possession of the Property and shall have no liability under the Environmental Laws thereby.

18. **THIS COURT ORDERS** that any conservatory action the receiver and manager is authorized and empowered, but not obligated to take does not deem and the receiver and manager shall not be deemed to be in Possession of the Property.

19. **THIS COURT ORDERS** that any liability of the receiver and manager resulting out of or from its appointment or the exercise of its powers hereunder shall be limited in the aggregate to the net cash proceeds received by the receiver and manager from the disposition of the Property or any part thereof, after deductions for payment of all fees, disbursements, costs and expenses, including legal fees and disbursements, and any monies borrowed by the receiver and manager pursuant to this Order, less all fees, disbursements, costs and expenses of the receiver and manager reasonably attributable to the Property, but nothing herein shall release the receiver and manager from liability, if any, arising out of fraud, gross negligence or wilful misconduct on its part or on the part of any of its officers, servants, employees or agents.

20. **THIS COURT ORDERS** that the receiver and manager shall not be deemed or considered to be a successor employer as defined in the *Labour Relations Act* (Ontario), *Employment Standards Act* (Ontario) or any other similar Provincial or Federal legislation.

21. **THIS COURT ORDERS** that the receiver and manager may from time to time apply to this Court for direction and guidance in the discharge of its duties as receiver and manager.

22. **THIS COURT ORDERS** that the receiver and manager pass its accounts from time to time and pay the balance in its hands as this Court may direct.

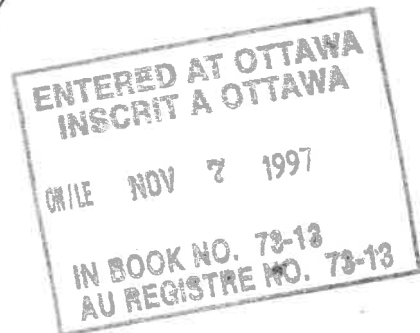
23. **THIS COURT ORDERS** that the receiver and manager shall be at liberty to pay itself out of the existing or future monies coming into its hands for duties and services performed under this Order, a reasonable amount either monthly or at such longer intervals as it deems appropriate, which amount shall constitute an advance against remuneration when determined by this Court. The receiver and manager shall also be at liberty to pay its solicitors and legal counsel out of such monies a reasonable amount on a solicitor and his own client basis either monthly or at such longer intervals as it deems appropriate, which amount shall constitute an advance against remuneration when determined by this Court.

24. **THIS COURT ORDERS** that all or any parties interested, including the receiver and manager, be at liberty to apply for such amendment to this Order or such other order as may be advised.

25. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any court or administrative body in Canada and any other court or administrative body in any other province or territory of Canada, including the assistance of any court in Canada pursuant to section 17 of the CCAA, and any Canadian federal court or administrative, regulatory or governmental body, and any federal or state court or administrative, regulatory or governmental body in the United Kingdom, the United States of America, and any court or administrative, regulatory or governmental body in any other jurisdiction to act in aid of or to be complementary in carrying out the terms of this Order. The Receiver shall be a foreign representative of the Applicants and shall be at liberty, and is hereby authorized and empowered to apply, as it may consider necessary or desirable, to any other Court or administrative body for an Order recognizing the appointment of the Receiver in such other jurisdiction or for such Orders and assistance as it may deem necessary or appropriate.

26. **THIS COURT ORDERS** that nothing contained in this Order shall affect, vary, derogate or amend the rights, obligations and duties of D&T Inc. in its capacity as Monitor pursuant to the Order of this Court dated the 25th day of July, 1997.

27. **THIS COURT ORDERS** that the time for service of this motion be and the same is hereby abridged.

A handwritten signature in dark ink, appearing to read "J. Kelly", is written over a horizontal line.

RECEIVER CERTIFICATE NO.

AMOUNT \$

THIS IS TO CERTIFY that Deloitte & Touche Inc., the receiver and manager of the assets, property and undertaking of Gandalf Technologies Inc. [or Gandalf Canada Limited] (the "Debtor") appointed by Order of the Ontario Court (General Division) dated the 7th day of November, 1997 made in a motion in Court File Number 97-CU-2522, has received as such receiver and manager from the holder of this certificate the sum of \$, being part of the total principal sum of \$ which the receiver and manager was authorized to borrow under and pursuant to the Order.

27. The principal sum of \$ represented by this certificate is payable on demand with interest thereon calculated and payable monthly on the day of each and every month at the rate per annum equal to the rate of per cent above the prime lending rate as reported or announced from time to time by as its prime lending rate, or failing such reporting or announcement, at the rate established by it for an unsecured demand loan in Ottawa, Ontario in Canadian dollars to its most credit worthy commercial customers. The first payment of interest shall be calculated for the period commencing and shall be payable on the day of , 19 .

28. The principal sum with interest thereon is by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the receiver and manager pursuant to the Order or to any further order of the Court, a charge upon the whole of the assets, property and undertaking of Gandalf Technologies Inc. [or Gandalf Canada Limited], together with all other assets and property which are now or may hereafter be in the custody and control of the receiver and manager, but subject to the right of the receiver and manager to indemnify itself out of such property, assets and undertaking in respect of its remuneration, expenses and legal costs properly incurred.

29. All sums payable in respect of principal and interest under this certificate are payable at the office of at , to the attention of .

30. In case default shall be made in payment of interest on this certificate and such default shall continue for a period of days, the principal of this certificate shall be immediately due and payable to the holder hereof.

31. Until all liability in respect of this certificate shall have been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the receiver and manager to any person other than the holders of this certificate, without the prior written consent of the holder of this certificate.

32. The charge shall operate so as to permit the receiver and manager to deal with the undertaking, property and assets of Gandalf Technologies Inc. [or Gandalf Canada Limited] or coming under the control of the receiver and manager as authorized by the Order of the Ontario Court (General Division) and as authorized by any further or other Order of the Ontario Court (General Division).

33. The receiver and manager does not undertake and it is not under any personal liability to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the day of , 199 .

Deloitte & Touche Inc.
as receiver and manager of the
assets, property and undertaking
of Gandalf Technologies Inc. [or Gandalf
Canada Limited]

Per:

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANDALF ET AL

Court file no. 97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

FILED Ont. Court (General Div.)
THE REGIONAL MUNICIPALITY
OF OTTAWA-CARLETON

NOV 2

DÉPOSÉ À LA COUR DE JUSTICE
ON. General LA M. RUCS
DOTTAWA, ON

ORDER APPOINTING RECEIVER AND MANAGER

F#3716105

OSLER, HOSKIN & HARCOURT
Suite 1500
50 O'Connor Street
Ottawa, Ontario
K1P 6L2

HEATHER P. GRIFFITHS
(613) 235-7234
(613) 235-2867 (fax)

Solicitors for the Applicants
(Box 309)

07/11/97 12:37PM 57A026

TAB K

Court File No. 97-CU-2522

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE JUSTICE .) **WEDNESDAY, THE 12th DAY**
)
D. CHILCOTT) **OF NOVEMBER, 1997**

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

- and -

IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43

- and -

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.

Applicants

ORDER

THIS MOTION made by The Glenview Corporation (hereinafter referred to as "Glenview") for the relief stated in the Notice of Motion, including:

- (a) an Order abridging the time for service of the Notice of Motion;**
- (b) an Order that service of the Notice of Motion, other than upon Gandalf Technologies Inc. (hereinafter called "GTI") and others on the service list, be dispensed with;**
- (c) an Order amending the Plan of Compromise or Arrangement of GTI dated October 3, 1997 (hereinafter referred to the "GTI Plan") such that Glenview and all other Real Property Creditors as defined in the GTI Plan shall each be entitled to prove a claim**

- 2 -

under the GTI Plan calculated in the same manner as the claims of the members of the Unsecured Creditors class;

(d) In the alternative to the relief sought in subparagraph (c), an Order declaring that Glenview and all other Real Property Creditors shall constitute a separate class of creditors for the purpose of voting upon the GTI Plan in accordance with section 6 of the *Companies' Creditors Arrangement Act* (hereinafter referred to as the "CCAA"); and

(e) Such further and other relief as counsel may advise and this Honourable Court may permit

was heard this day at the Court House, 161 Elgin Street, Ottawa, ON.

ON READING the Motion Record of Glenview and upon hearing counsel for Glenview, the Royal Bank of Canada and Deloitte & Touche Inc. as Receiver and Manager of GTI and Gandalf Canada Ltd. (hereinafter referred to as "GCL") and Monitor pursuant to an Order made by this Court on July 25, 1997 pursuant to the *Companies' Creditors and Arrangements Act* (hereinafter referred to as "the receiver and monitor");

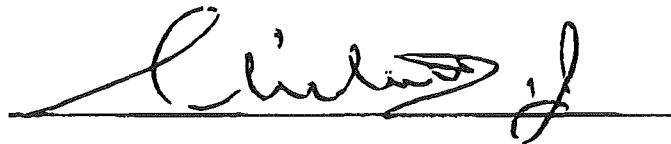
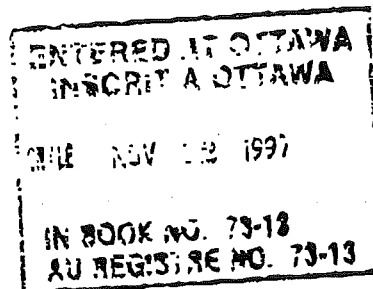
1. THIS COURT ORDERS that the time for service of the Notice of Motion and the Motion Record in respect of this motion be, and it is hereby, abridged, and that the motion is properly returnable today; and, further, that the requirement for service of the Notice of Motion, other than upon GTI and as provided for in the Order of Bell J. dated November 7, 1997, is hereby dispensed with.

- 3 -

2. THIS COURT ORDERS that the GTI Plan and the Plan of Compromise or Arrangement with respect to GCL (hereinafter referred to as the "GCL Plan") both be amended to provide that landlords shall form a separate class of creditors.
3. THIS COURT ORDERS that the amendments to the GTI Plan and the GCL Plan be communicated to the creditors listed in Schedule "A" attached hereto, forthwith.
4. THIS COURT ORDERS that Glenview, as the sole landlord under the GTI Plan, be paid a preferred payment of \$159,033.00, calculated as three months' accelerated rent at \$53,011.00 per month, within five days after the approval of the GTI Plan by this Court, and that all other landlords receive a preferred payment equal to the lessor of the Gross Rent accruing for the balance of the term of the applicable lease and three months Gross Rent.
5. THIS COURT ORDERS that Glenview be allowed to prove a claim under the GTI Plan for clean-up costs with respect to the 40 Concourse Gate property, including costs of any environmental clean-up, as ordinary unsecured claims against GTI, after deducting the amount of \$43,965.75 owing by Glenview to GTI on account of a realty tax over-payment.
6. THIS COURT ORDERS that, with the exception of the compensation set out in paragraphs 3 and 4 herein, Glenview is stayed from making, proving, pursuing or continuing in any way, any further or other claims against GTI or GCL.

- 4 -

7. THIS COURT ORDERS that no costs will be payable by any party to any other party arising out of the motion herein including, without limitation, costs on account of service of the Notice of Motion or of the amended GTI Plan or GCL Plan or notice of the amended GTI Plan or GCL Plan upon the other creditors of GTI or GCL.

A handwritten signature in black ink, appearing to be "C. L. L. J.", written over a horizontal line.

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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F-088

P. 10/18

T-063

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FROM-OSLER HOSKIN & HARCOURT

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TAB L

313

**AMENDMENT TO PLAN OF COMPROMISE
OR ARRANGEMENT**

**Pursuant to the
Companies' Creditors Arrangement Act (Canada)
concerning, affecting and involving**

GANDALF TECHNOLOGIES INC.

FILED November 12, 1997

GANDALF TECHNOLOGIES INC.

AMENDMENT TO PLAN OF COMPROMISE OR ARRANGEMENT

WHEREAS Gandalf Technologies Inc. filed a Plan of Compromise or Arrangement pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "Plan") on October 3, 1997;

AND WHEREAS Gandalf Technologies Inc. wishes to exercise its right to amend, modify and/or supplement the hereinbefore recited Plan as provided for therein;

AND WHEREAS capitalized terms used herein have the meaning ascribed thereto herein or, if not herein, in the Plan;

NOW THEREFORE the Plan is hereby amended as follows:

1. Section 1.1 "Classes" is hereby deemed to be amended and is hereby amended by deleting the word "five" in the first line and substituting "six".
2. Section 1.1 "Real Property Creditor's Abandoned Premises Claim" is hereby deemed to be amended and is hereby amended to read as follows:

"Real Property Creditor's Abandoned Premises Claim" means the Claim of a Real Property Creditor in respect of an Abandoned Premises, and for greater certainty, does not include the Real Property Creditor's Arrears Claim, if any, of such Real Property Creditor in respect of such Abandoned Premises but shall be comprised of and be equal to the lesser of the Gross Rent accruing for the balance of the term of such Lease and three months Gross Rent."

3. Section 2.2 shall be deemed to be amended and is hereby amended by adding thereto after subparagraph (c):

"(ca) the compromise of the Real Property Creditor's Abandoned Premises Claims;"

4. Section 3.1 is deemed to be amended and is hereby amended by adding thereto after subparagraph (b):

"(ba) Class 2A

Real Property Creditor's Abandoned Premises Claim shall be designated as Class 2A."

5. Article 4 is deemed to be amended and is hereby amended by adding the following after Section 4.2:

"4.2A-Real Property Creditor's Abandoned Premises Claim

(a) Voting of Claims

Each Landlord being entitled to a Real Property Creditor's Abandoned Premises Claim shall be entitled to vote in Class 2A to the extent of the amount which is equal to their Proven Claim as a Real Property Creditor for Real Property Creditor's Abandoned Premises Claim."

(b) Distribution

On the fifth Business Day after the date on which the Final Order is made, each Real Property Creditor with a proven Real Property Creditor's Abandoned Premises Claim shall receive, in full satisfaction of such Claim, an amount equal to the Real Property Creditor's Abandoned Premises Claim.

6. Section 5.1 is deemed to be amended and is hereby amended by inserting "and subject to Section 4.2A(b)" in the second line before "on".

TAB M

**AMENDMENT TO PLAN OF COMPROMISE
OR ARRANGEMENT**

**Pursuant to the
Companies' Creditors Arrangement Act (Canada)
concerning, affecting and involving**

GANDALF CANADA LTD.

FILED November 12, 1997

GANDALF CANADA LTD..

AMENDMENT TO PLAN OF COMPROMISE OR ARRANGEMENT

WHEREAS Gandalf Canada Ltd.. filed a Plan of Compromise or Arrangement pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "Plan") on October 3, 1997;

AND WHEREAS Gandalf Canada Ltd. wishes to exercise its right to amend, modify and/or supplement the hereinbefore recited Plan as provided for therein;

AND WHEREAS capitalized terms used herein have the meaning ascribed thereto herein or, if not herein, in the Plan;

NOW THEREFORE the Plan is hereby amended as follows:

1. Section 1.1 "Classes" is hereby deemed to be amended and is hereby amended by deleting the word "four" in the first line and substituting "five".
2. Section 1.1 "Real Property Creditor's Abandoned Premises Claim" is hereby deemed to be amended and is hereby amended to read as follows:

"Real Property Creditor's Abandoned Premises Claim" means the Claim of a Real Property Creditor in respect of an Abandoned Premises, and for greater certainty, does not include the Real Property Creditor's Arrears Claim, if any, of such Real Property Creditor in respect of such Abandoned Premises but shall be comprised of and be equal to the lesser of the Gross Rent accruing for the balance of the term of such Lease and three months Gross Rent."

3. Section 2.2 shall be deemed to be amended and is hereby amended by adding thereto after subparagraph (c):

"(ca) the compromise of the Real Property Creditor's Abandoned Premises Claims;"

4. Section 3.1 is deemed to be amended and is hereby amended by adding thereto after subparagraph (b):

"(ba) Class 2A

Real Property Creditor's Abandoned Premises Claim shall be designated as Class 2A."

5. Article 4 is deemed to be amended and is hereby amended by adding the following after Section 4.2:

"4.2A-Real Property Creditor's Abandoned Premises Claim

(a) Voting of Claims

Each Landlord being entitled to a Real Property Creditor's Abandoned Premises Claim shall be entitled to vote in Class 2A to the extent of the amount which is equal to their Proven Claim as a Real Property Creditor for Real Property Creditor's Abandoned Premises Claim."

(b) Distribution

On the fifth Business Day after the date on which the Final Order is made, each Real Property Creditor with a proven Real Property Creditor's Abandoned Premises Claim shall receive, in full satisfaction of such Claim, an amount equal to the Real Property Creditor's Abandoned Premises Claim.

6. Section 5.1 is deemed to be amended and is hereby amended by inserting "and subject to Section 4.2A(b)" in the second line before "on".

TAB N

Court File No. 97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE)	FRIDAY, THE 21st DAY
)	
JUSTICE C. AITKEN)	OF NOVEMBER, 1997

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

- and -

**IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43**

- and -

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.**

Applicants

ORDER

THIS MOTION brought by the Applicants for an Order approving the Plans of Compromise or Arrangement of the Applicants as amended, and consequential relief, was heard this day at the Court House, 161 Elgin Street, Ottawa, ON.

ON READING the Motion Record of the Applicants, filed and on hearing submissions of counsel for the Applicants,

- 2 -

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this Motion be and it is hereby abridged, and that this Motion is properly returnable today and that any service of the Notice of Motion and the Motion Record other than upon persons already served is hereby dispensed with.

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined in this Order shall have the meanings attributed thereto in the Plans of Compromise or Arrangement of Gandalf Canada Limited and Gandalf Technologies Inc. as filed October 3, 1997, and the Amendments thereto filed on November 12, 1997 (hereinafter referred to as "the Plans and Amendments").

3. **THIS COURT ORDERS** that there has been good and sufficient service and delivery of the Plans and Amendments and that the meetings of creditors contemplated and provided for in the Plans and Amendments were duly convened.

4. **THIS COURT ORDERS AND DECLARES** that the Applicants have complied with the provisions of the *Companies' Creditors Arrangements Act*, R.S.C. 1985, c.C-36 (the "CCAA") and the Orders of this Honourable Court made thereunder, and that the Plans and Amendments are fair, reasonable and in the best interests of the Creditors.

- 3 -

5. **THIS COURT ORDERS** that the Plan of Compromise or Arrangement of Gandalf Canada Limited, as filed October 3, 1997, and the Amendment thereto filed on November 12, 1997, be and are hereby approved and sanctioned, pursuant to s. 6 of the CCAA.

6. **THIS COURT ORDERS** that the Plan of Compromise or Arrangement of Gandalf Technologies Inc. as filed October 3, 1997, and the Amendment thereto filed on November 12, 1997, be and are hereby approved and sanctioned, pursuant to s. 6 of the CCAA.

7. **THIS COURT ORDERS AND DECLARES** that the compromises and transactions effected by the Plans and Amendments are approved, and shall be binding and effective upon the Plan Implementation Date as therein set out, upon the Applicants and all Creditors affected by the Plans and Amendments.

8. **THIS COURT ORDERS** that, except to the extent that the Order of the Honourable Justice Aitken made July 25, 1997 in this proceeding (the "CCAA Order") has been varied by or is inconsistent with this Order or any further order of this Court, the provisions of the CCAA Order shall remain in full force and effect until the implementation of the Plans on the Plan Implementation Date.

9. **THIS COURT ORDERS** that all other Orders made in this proceeding shall continue in full force and effect in accordance with their respective terms, except to the extent that

- 4 -

such Orders are varied by or are inconsistent with this Order or any further Order of this Court.

10. **THIS COURT ORDERS AND DECLARES** that, subject to the performance by the Applicants of their obligations under the Plans and Amendments and except to the extent, if any, expressly contemplated by the Plans and Amendments, all obligations or agreements to which the Applicants are parties shall be and remain in full force and effect, unamended, as at the Plan Implementation Date and no Person who is a party to any such obligation or agreement shall, following the Plan Implementation Date, accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set-off, dilution, buy-out, divestiture, forced sale, option or other remedy) under or in respect of any such obligation or agreement, by reason:

- (i) of any event(s) which occurred on or prior to the date of the CCAA Order which would have entitled any other Person party thereto to enforce those rights or remedies (including defaults or events of default arising as a result of the financial condition or insolvency of the Applicants); or
- (ii) of the fact that the Applicants have sought or obtained relief under the CCAA; or
- (iii) of the effect on the Applicants of the completion of any of the transactions contemplated by the Plans and Amendments or the Reorganization; or
- (iv) of any compromise or arrangements effected pursuant to the Plans and Amendments.

- 5 -

11. **THIS COURT AUTHORIZES AND DIRECTS** the Monitor, in its capacity as trustee under the Employee Retention Plan, to pay or cause to be paid to the Retained Employees and the Bonus Pool Employees all amounts to which each such Employee is entitled thereunder.

12. **THIS COURT ORDERS** that any and all steps or proceedings including, without limitation, administrative orders, declarations or assessments, commenced, taken or proceeded with against the Applicants in respect of any claim be and hereby are stayed.

13. **THIS COURT ORDERS** that, from and after the Plan Implementation Date, all Persons shall be deemed to have waived any and all defaults then existing or previously committed by either or both of the Applicants, or caused by either or both of the Applicants, or non-compliance with any covenant, warranty, representation, term, provision, condition or obligation, expressed or implied, in any contract, instrument, credit document, guarantee, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto (each, an "Agreement"), existing between such Person and either or both of the Applicants or any other Person and any and all notices of default and demands for payment under any Agreement shall be deemed to be of no further force or effect, provided that nothing herein shall excuse or be deemed to excuse either or both of the Applicants from performing any of their obligations under the Plans and Amendments.

- 6 -

14. **THIS COURT ORDERS AND DECLARES** that the Monitor and the Applicants have satisfied all of their obligations to prepare, compile, assemble and distribute the financial and other information required by the CCAA Order or otherwise, and shall have no further obligations to report or disclose such information and no liability in respect of any information disclosed.

15. **THIS COURT ORDERS** that the Applicants or any person affected by this Order may apply to this Court for directions or to seek relief in respect of any matter arising out of or incidental to the Plans and Amendments or this Order including, without limitation, the interpretation of this Order and the Plans and Amendments, the implementation of the Plans and Amendments, and any further Order that may be required for the implementation of the Plans and Amendments, on notice to any person likely to be affected by the Order sought.

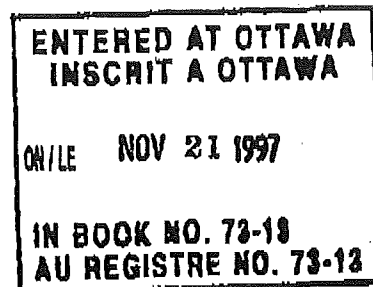
16. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and abroad.

17. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any Court or administrative body in any province or territory of Canada and the Federal Court of Canada and any administrative tribunal or court constituted pursuant to the authority of the Parliament of Canada, including the assistance of any Court in Canada pursuant to s.17 of the CCAA, and any federal or state court or administrative body in the United States of

- 7 -

America, and any court in the United Kingdom and all other jurisdictions to act in aid or
and to be complementary to this Court in carrying out the terms of this Order.

Reiken, J.



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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Solicitors for the Applicants
(Box 309)

JAN. 23. 1998 3:02PM OSLER HOSKIN HARCOURT

NO. 0371 P. 8/8

TAB O

302-1

Court File No. 97-CU-2522

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE)	FRIDAY, THE THIRD DAY
)	
JUSTICE D. CHILCOTT)	OF OCTOBER, 1997.

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

- and -

**IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43**

- and -

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.**

Applicants

ORDER

THIS MOTION made by the Applicants Gandalf Technologies Inc. and Gandalf Canada Ltd. (hereinafter collectively "Gandalf" or the "Applicants") for the relief stated in the Notice of Motion herein, including:

- (i) an order validating and abridging the time for service of the Notice of Motion and Motion Record herein and declaring that this motion is properly returnable on Friday, October 3, 1997, and an order that any requirement to serve this Notice of Motion and the Motion Record herein on any interested parties other than those named herein be dispensed with;

- (ii) an Order approving the Purchase and Sale Agreement dated as of October 2, 1997 (hereinafter referred to as the "Greenwich Purchase Agreement") entered into by the Applicants as Vendor and Greenwich Industrial Services, LLC (hereinafter referred to as "Greenwich") as Purchaser, a copy of which is attached to the Affidavit of Richard D. Busto, sworn October 3, 1997, filed;
- (iii) an Order pursuant to the CCAA and Section 101 of COJA appointing Deloitte & Touche Inc. as Receiver (hereinafter referred to in such capacity as "the Receiver") of the "Equipment" as such term is defined in the Greenwich Purchase Agreement and authorizing and directing the Receiver to enter into the Greenwich Purchase Agreement in accordance with its terms;
- (iv) an Order that, upon closing of the Greenwich Purchase Agreement all right, title and interest in and to the Equipment shall irrevocably vest in Greenwich, and its successors and assigns, free from all right, title or interest therein, of any other person or entity;
- (v) an Order that the proceeds of the Greenwich Purchase Agreement shall be paid to the Receiver and used by the Receiver to fund the Bonus Pool as defined in the Employee Retention Plan attached to the Order issued by the Court on July 25, 1997 pursuant to the CCAA (the "CCAA Order") and thereafter to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees entitled to participate therein; and
- (vi) such further and other necessary or ancillary relief as is usual or as to this Honourable Court seems just;

was heard this day at the Court House, 161 Elgin Street, Ottawa.

ON READING the Motion Record of the Applicants and upon hearing counsel for the Applicants;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this motion be, and it is hereby, abridged, and that the motion is properly returnable today; and, further, that the requirement for the service of the Notice of Motion and Motion Record upon any interested parties, other than those named herein, is hereby dispensed with.

2. **THIS COURT ORDERS** that the Purchase and Sale Agreement dated as of October 2, 1997 between the Applicants as Vendors and Greenwich as Purchaser (hereinafter referred to as the "Greenwich s Purchase Agreement"), for the sale of the Equipment as defined therein (the term "the Equipment" wherever referred to in this Order to have the meaning ascribed and defined in the Greenwich Purchase Agreement), and on the terms and conditions set forth in the Greenwich Purchase Agreement, and the entering into of the Greenwich Purchase Agreement by the Applicants be and the same are hereby approved.

3. **THIS COURT ORDERS** that Deloitte & Touche Inc. be and it is hereby appointed as Receiver pursuant to s. 101 of the COJA and the CCAA without security, of the Equipment (in such capacity, DT shall hereinafter be referred to as the "Receiver").

4. **THIS COURT ORDERS** that the Receiver is authorized and directed to complete the Greenwich Purchase Agreement in accordance with its terms subject to such amendments as the Receiver may approve which do not substantially alter the Greenwich Purchase Agreement or the ability of the Receiver to make the payments referred to in paragraph 8 of this Order, and the Applicants are directed to provide such assistance as the Receiver may require to complete the Greenwich Purchase Agreement.

5. **THIS COURT ORDERS** that the Receiver shall be empowered and is hereby directed to execute by and on behalf of the Applicants all and any further assurances required to convey the Equipment and do all things necessary or desirable to complete the transactions contemplated under the Greenwich Purchase Agreement.

6. **THIS COURT ORDERS** that the Receiver be and is hereby relieved from compliance with the notice provisions of Part V of the *Personal Property Security Act*, (hereafter the "PPSA") and any other notice, statutory or otherwise, which a creditor or other party is required to issue in order to dispose of the collateral of a debtor.

7. **THIS COURT ORDERS** that upon execution and delivery to Greenwich of a certificate of the Receiver stating that all conditions of closing have been satisfied or waived in accordance with the Greenwich Purchase Agreement, all property comprised in the Equipment, wherever situate, shall be vested in Greenwich, its successors and assigns, free and clear of all estate, right, title, claims, interest, mortgages, charges, liens, security

interests, deemed trusts, encumbrances, pledges, adverse claims, title retention agreements or other limitations or restrictions of any nature whatsoever, including, without limitation, any rights or interests of any creditors (secured, unsecured, liquidated, unliquidated or contingent) of the Applicants provided that the Monitor under the Employee Retention Plan Charge and the Royal Bank of Canada (the "Bank") shall continue to have a perfected security interest in the proceeds obtained by the Receiver in respect of the sale of the Equipment in accordance with their security until all liabilities and/or indebtedness of the Applicants to the Bank under the Credit Facilities and the Monitor under the Employee Retention Plan are paid in full.

8. **THIS COURT ORDERS** that the proceeds of the Greenwich Purchase Agreement shall be paid to the Receiver and used by the Receiver to fund the Bonus Pool as defined in the Employee Retention Plan attached to the CCAA Order and thereafter to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees entitled to participate therein.

9. **THIS COURT ORDERS** that, for greater certainty and notwithstanding any other provisions of this Order, the Receiver shall not be authorized to employ and shall not be deemed to be the employer of any employees of the Applicants nor shall the Receiver go into possession or control, nor be deemed to be in possession or control of any of the assets or premises of the Applicants.

10. **THIS COURT ORDERS** that the Receiver shall not be and shall not be deemed to be a successor employer as defined in the *Labour Relations Act* (Ontario), and the *Employment Standards Act* (Ontario) or in any other similar provincial or federal legislation or otherwise be made liable for the obligations of the Applicants or any of their affiliates to their employees or former employees. Further, by the granting of this Order, the Equipment of the Applicants shall not have been sold to the Receiver and will continue to be the equipment of the Applicants until it is sold, in whole or in part, to Greenwich. In this paragraph "sells" includes leases, transfers, and any other manner of disposition, and "sold" and "sale" have corresponding meanings.

11. **THIS COURT ORDERS** that, where required for the purpose of fulfilling its duties as Receiver, the Receiver is entitled, at its expense, to have access to, and inspect and to make and take away copies of any books, documents, contracts, papers and records of every nature and kind whatsoever including, but not limited to, accounting records and computer software, telephone programs and data, and all monies, cheques, remittances of every nature and kind whatsoever relating to the affairs of the Applicants or the Equipment thereof, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to Greenwich, as the case may be, and all persons having notice of this Order shall forthwith permit the Receiver to make copies, for the purpose of allowing the Receiver to complete its duties hereunder.

12. **THIS COURT ORDERS** that if any information relative to the Equipment of the Applicants is stored or otherwise contained on a computer or other electronic system of information storage, whether by the Applicants or by any other person pursuant to a private agreement with the Applicants, the Receiver is entitled, for the purpose of fulfilling its duties hereunder, to unfettered access thereto and to obtain a full copy of any such information whether by way of printing onto paper or making copies of computer discs or such other manner of retrieving and copying such information as the Receiver, in its discretion, deems expedient, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to Greenwich, as the case may be.

13. **THIS COURT ORDERS** that all costs, charges and expenses of the Receiver properly incurred in discharging its duties hereunder, including the Receiver's fees and disbursements shall be paid by the Applicants. The Receiver shall be at liberty to pass its accounts and apply for a discharge, concurrently with its Application in the same respect in its capacity as Monitor under the CCAA Order.

14. **THIS COURT ORDERS** that no suit, action or other proceeding, self-help remedy or legal or administrative proceeding against the Applicants or the Receiver or in respect of the Equipment, wherever located, may be proceeded with or commenced except by leave of the Court obtained by notice of motion on seven (7) days' notice in writing to the Receiver and the Applicants.

15. **THIS COURT ORDERS** that the Receiver shall not be liable for any existing order, directive or violation of any federal, provincial or municipal statute, regulation or by-law concerning the environment or the transportation of dangerous goods but the Receiver may, in its sole discretion, but shall not be obliged to, remedy any act or omission of the Applicants pertaining to the provisions of any federal, provincial or municipal statute, regulation or by-law concerning the environment or any outstanding order or directive made pursuant to thereto, except upon further order of the Court, provided that in so doing, the Receiver shall not become liable as aforesaid.

16. **THIS COURT ORDERS** that the Receiver or any party affected by this Order shall be at liberty to apply to the Court for advice and direction concerning the discharge of the Receiver's duties and powers, on seven days' notice to the Applicants and the Receiver, and to any other person likely to be affected by the matters in issue.

17. **THIS COURT ORDERS** that the Receiver shall not incur any liability or obligation as a result of the making of this Order, the appointment of the Receiver or the carrying out of the provisions of this Order save and except the Receiver shall be liable for gross negligence or wilful misconduct on its part, and no action, application or other proceeding shall be taken, made or continued against the Receiver without the leave of this Court first being obtained.

18. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any court or administrative body in Canada and any other court or administrative body in any other province or territory of Canada, including the assistance of any court in Canada pursuant to section 17 of the CCAA, and any Canadian federal court or administrative, regulatory or governmental body, and any federal or state court or administrative, regulatory or governmental body in the United Kingdom, the United States of America, and any court or administrative, regulatory or governmental body in any other jurisdiction to act in aid of or to be complementary in carrying out the terms of this Order. The Receiver shall be a foreign representative of the Applicants and shall be at liberty, and is hereby authorized and empowered to apply, as it may consider necessary or desirable, to any other Court or administrative body for an Order recognizing the appointment of the Receiver in such other jurisdiction or for such Orders and assistance as it may deem necessary or appropriate.

"D. Chilcott"

(S)

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-cv-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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TAB P

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE)	THURSDAY, THE SEVENTH DAY
)	
JUSTICE J. BELL)	OF AUGUST, 1997.

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

- and -

IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43

- and -

IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.

Applicants

ORDER

THIS MOTION made by the Applicants Gandalf Technologies Inc. and Gandalf Canada Ltd. (hereinafter collectively "Gandalf" or the "Applicants") for the relief stated in the Notice of Motion herein, including:

- (i) an order validating and abridging the time for service of the Notice of Motion and Motion Record herein and declaring that this motion is properly returnable on Thursday, August 7, 1997, and an order that any requirement to serve this Notice of Motion and the Motion Record herein on any interested parties other than those named herein be dispensed with;

- (ii) an Order that the exhibits to the Affidavits of Richard Busto and David Boddy, sworn August 7, 1997, be treated as confidential, sealed and not form part of the public record, subject to further order of this Court;
- (iii) an Order approving the Asset Purchase Agreement dated as of August 7, 1997 (hereinafter referred to as the "Mitel Purchase Agreement") entered into by the Applicants as Vendor and Mitel Corporation ("Mitel") as Purchaser, a copy of which is attached to the Affidavit of Richard D. Busto, sworn August 7, 1997, filed;
- (iv) an Order pursuant to the *Companies' Creditors Arrangement Act* (hereinafter referred to as the "CCAA") and Section 101 of the *Courts of Justice Act* (hereinafter referred to as the "COJA") appointing Deloitte & Touche Inc. (hereinafter referred to as "DT") as Receiver (hereinafter referred to in such capacity as "the Receiver") of the "Business and the Purchased Assets" as such term is defined in the Mitel Purchase Agreement and authorizing and directing the Receiver to enter into the Mitel Purchase Agreement in accordance with its terms;
- (v) an Order that, upon closing of the Mitel Purchase Agreement all right, title and interest in and to the Business and Purchased Assets shall irrevocably vest in Mitel, and its successors and assigns, free from all right, title or interest therein, of any other person or entity;
- (vi) an Order that the proceeds of the Mitel Purchase Agreement shall be paid to the Receiver and applied and disbursed in accordance with the terms of the

letter agreement among the Applicants, the Receiver and the Bank dated August 7, 1997 (the "Consent Letter");

- (vii) an Order approving the Purchase and Sale Agreement dated as of August 7, 1997 (hereinafter referred to as the "Circtrionics Purchase Agreement") entered into by the Applicants as Vendor and Greenwich Industrial Services, LLC (hereinafter referred to as "Greenwich") as Purchaser;
- (viii) an Order pursuant to the CCAA and Section 101 of COJA appointing DT as Receiver (hereinafter referred to in such capacity as "the Receiver") of the "Equipment" as such term is defined in the Circtrionics Purchase Agreement and authorizing and directing the Receiver to enter into the Circtrionics Purchase Agreement in accordance with its terms;
- (ix) an Order that, upon closing of the Circtrionics Purchase Agreement all right, title and interest in and to the Equipment shall irrevocably vest in Greenwich, and its successors and assigns, free from all right, title or interest therein, of any other person or entity;
- (x) an Order that the proceeds of the Circtrionics Purchase Agreement shall be paid to the Receiver and thereafter remitted to the Applicants to be applied in accordance with the terms of the Order issued by the Court on July 25, 1997 pursuant to the CCAA (the "CCAA Order"); and
- (xi) such further and other necessary or ancillary relief as is usual or as to this Honourable Court seems just;

was heard this day at the Court House, 161 Elgin Street, Ottawa.

ON READING the Motion Record of the Applicants and upon hearing counsel for the Applicants and counsel for the Royal Bank of Canada and for Mitel;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this motion be, and it is hereby, abridged, and that the motion is properly returnable today; and, further, that the requirement for the service of the Notice of Motion and Motion Record upon any interested parties, other than those named herein, is hereby dispensed with.

2. **THIS COURT ORDERS** that the exhibits to the Affidavits of Richard Busto and David Boddy, sworn August 7, 1997, be treated as confidential, sealed and not form part of the public record, subject to further order of this Court.

3. **THIS COURT ORDERS** that the Mitel Purchase Agreement dated as of August 7, 1997 between the Applicants as Vendors and Mitel as Purchaser for the sale of the Business and the Purchased Assets as defined therein (the term "the Business and the Purchased Assets" wherever referred to in this Order to have the meaning ascribed and defined in the Mitel Purchase Agreement), and on the terms and conditions set forth in the Mitel Purchase Agreement, and the entering into of the Mitel Purchase Agreement by the Applicants be and the same are hereby approved.

4. **THIS COURT ORDERS** that the Purchase and Sale Agreement dated as of August 7, 1997 between the Applicants as Vendors and Greenwich as Purchaser (hereinafter referred to as the "Circtrionics Purchase Agreement"), for the sale of the Equipment as defined therein (the term "the Equipment" wherever referred to in this Order to have the meaning ascribed and defined in the Circtrionics Purchase Agreement), and on the terms and conditions set forth in the Circtrionics Purchase Agreement, and the entering into of the Circtrionics Purchase Agreement by the Applicants be and the same are hereby approved.

5. **THIS COURT ORDERS** that DT be and it is hereby appointed as Receiver pursuant to s. 101 of the COJA and the CCAA without security, of the Business and the Purchased Assets and of the Equipment (in such capacity, DT shall hereinafter be referred to as the "Receiver").

6. **THIS COURT ORDERS** that the Receiver is authorized and directed to complete the Mitel Purchase Agreement and the Circtrionics Purchase Agreement in accordance with their terms subject to such amendments as the Receiver may approve which do not substantially alter the Mitel Purchase Agreement or the Circtrionics Purchase Agreement or the ability of the Receiver to make the payments referred to in paragraphs 12 and 13 of this Order, and the Applicants are directed to provide such assistance as the Receiver may require to complete the Mitel Purchase Agreement and the Circtrionics Purchase Agreement.

7. **THIS COURT ORDERS** that the Receiver shall be empowered and is hereby directed to execute by and on behalf of the Applicants all and any further assurances required to convey the Business and the Purchased Assets and the Equipment and do all things necessary or desirable to complete the transactions contemplated under the Mitel Purchase Agreement and the Circronics Purchase Agreement.

8. **THIS COURT ORDERS** that the Receiver be and is hereby relieved from compliance with the notice provisions of Part V of the *Personal Property Security Act*, (hereafter the "PPSA") and any other notice, statutory or otherwise, which a creditor or other party is required to issue in order to dispose of the collateral of a debtor.

9. **THIS COURT ORDERS** that upon execution and delivery to Mitel of a certificate of the Receiver stating that all conditions of closing have been satisfied or waived in accordance with the Mitel Purchase Agreement, all property comprised in the Business and the Purchased Assets, wherever situate, shall be vested in Mitel, its successors and assigns, free and clear of all estate, right, title, claims, interest, mortgages, charges, liens, security interests, deemed trusts, encumbrances, pledges, adverse claims, title retention agreements or other limitations or restrictions of any nature whatsoever, including, without limitation, any rights or interests of any creditors (secured, unsecured, liquidated, unliquidated or contingent) of the Applicants and the claims, if any, of the parties listed in Schedule "B" hereto, provided that the Monitor under the Employee Retention Plan Charge and Royal Bank of Canada (the "Bank") shall continue to have a perfected security interest in the

proceeds obtained by the Receiver in respect of the sale of the Business and the Purchased Assets in accordance with their security until all liabilities and/or indebtedness of the Applicants to the Bank under the Credit Facilities, and the Monitor under the Employee Retention Plan, are paid in full.

10. **THIS COURT ORDERS** that upon execution and delivery to Greenwich of a certificate of the Receiver stating that all conditions of closing have been satisfied or waived in accordance with the Circtronics Purchase Agreement, all property comprised in the Equipment, wherever situate, shall be vested in Greenwich, its successors and assigns, free and clear of all estate, right, title, claims, interest, mortgages, charges, liens, security interests, deemed trusts, encumbrances, pledges, adverse claims, title retention agreements or other limitations or restrictions of any nature whatsoever, including, without limitation, any rights or interests of any creditors (secured, unsecured, liquidated, unliquidated or contingent) of the Applicants provided that the Monitor under the Employee Retention Plan Charge and the Royal Bank of Canada (the "Bank") shall continue to have a perfected security interest in the proceeds obtained by the Receiver in respect of the sale of the Equipment in accordance with their security until all liabilities and/or indebtedness of the Applicants to the Bank under the Credit Facilities and the Monitor under the Employee Retention Plan are paid in full.

11. **THIS COURT ORDERS** that the proceeds of the Mitel Purchase Agreement shall be paid to the Receiver and applied and disbursed in accordance with the terms of the Consent Letter, a copy of which is appended as Schedule "A" to this Order.

12. **THIS COURT ORDERS** that the proceeds of the Circtronics Purchase Agreement shall be paid to the Receiver and thereafter remitted to the Applicants to be applied in accordance with the terms of the CCAA Order.

13. **THIS COURT ORDERS** that, for greater certainty and notwithstanding any other provisions of this Order, the Receiver shall not be authorized to employ and shall not be deemed to be the employer of any employees of the Applicants nor shall the Receiver go into possession or control, nor be deemed to be in possession or control of any of the assets or premises of the Applicants.

14. **THIS COURT ORDERS** that the Receiver shall not be and shall not be deemed to be a successor employer as defined in the *Labour Relations Act* (Ontario), and the *Employment Standards Act* (Ontario) or in any other similar provincial or federal legislation or otherwise be made liable for the obligations of the Applicants or any of their affiliates to their employees or former employees. Further, by the granting of this Order, the Business and the Purchased Assets and the Equipment of the Applicants shall not have been sold to the Receiver and will continue to be the business of Applicants until it is sold, in whole or in part, to Mitel or Greenwich, as the case may be. In this paragraph "sells" includes leases,

transfers, and any other manner of disposition, and "sold" and "sale" have corresponding meanings.

15. **THIS COURT ORDERS** that, where required for the purpose of fulfilling its duties as Receiver, the Receiver is entitled, at its expense, to have access to, and inspect and to make and take away copies of any books, documents, contracts, papers and records of every nature and kind whatsoever including, but not limited to, accounting records and computer software, telephone programs and data, and all monies, cheques, remittances of every nature and kind whatsoever relating to the affairs of the Applicants or the Business and the Purchased Assets or the Equipment thereof, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to Mitel or ^{✓ Greenwich ✓ MBS} ~~Circuitronics~~, as the case may be, and all persons having notice of this Order shall forthwith permit the Receiver to make copies, for the purpose of allowing the Receiver to complete its duties hereunder.

16. **THIS COURT ORDERS** that if any information relative to the Business and the Purchased Assets or the Equipment of the Applicants is stored or otherwise contained on a computer or other electronic system of information storage, whether by the Applicants or by any other person pursuant to a private agreement with the Applicants, the Receiver is entitled, for the purpose of fulfilling its duties hereunder, to unfettered access thereto and to obtain a full copy of any such information whether by way of printing onto paper or making copies of computer discs or such other manner of retrieving and copying such

information as the Receiver, in its discretion, deems expedient, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to Mitel or *✓ Greenworth ✓ mds*
~~Circuitronics~~, as the case may be.

17. **THIS COURT ORDERS** that all costs, charges and expenses of the Receiver properly incurred in discharging its duties hereunder, including the Receiver's fees and disbursements shall be paid by the Applicants. The Receiver shall be at liberty to pass its accounts and apply for a discharge, concurrently with its Application in the same respect in its capacity as Monitor under the CCAA Order.

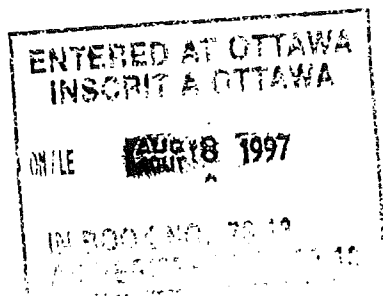
18. **THIS COURT ORDERS** that no suit, action or other proceeding, self-help remedy or legal or administrative proceeding against the Applicants or the Receiver or in respect of the Business and the Purchased Assets or the Equipment, wherever located, may be proceeded with or commenced except by leave of the Court obtained by notice of motion on seven (7) days' notice in writing to the Receiver and the Applicants.

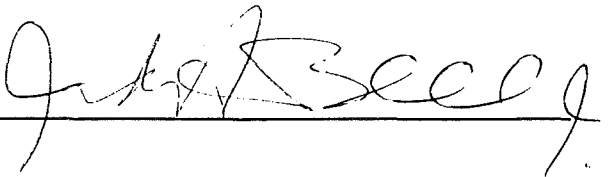
19. **THIS COURT ORDERS** that the Receiver shall not be liable for any existing order, directive or violation of any federal, provincial or municipal statute, regulation or by-law concerning the environment or the transportation of dangerous goods but the Receiver may, in its sole discretion, but shall not be obliged to, remedy any act or omission of the Applicants pertaining to the provisions of any federal, provincial or municipal statute, regulation or by-law concerning the environment or any outstanding order or directive made pursuant to thereto, except upon further order of the Court, provided that in so doing, the Receiver shall not become liable as aforesaid.

20. **THIS COURT ORDERS** that the Receiver or any party affected by this Order shall be at liberty to apply to the Court for advice and direction concerning the discharge of the Receiver's duties and powers, on seven days' notice to the Applicants and the Receiver, and to any other person likely to be affected by the matters in issue.

21. **THIS COURT ORDERS** that the Receiver shall not incur any liability or obligation as a result of the making of this Order, the appointment of the Receiver or the carrying out of the provisions of this Order save and except the Receiver shall be liable for gross negligence or wilful misconduct on its part, and no action, application or other proceeding shall be taken, made or continued against the Receiver without the leave of this Court first being obtained.

22. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any court or administrative body in Canada and any other court or administrative body in any other province or territory of Canada, including the assistance of any court in Canada pursuant to section 17 of the CCAA, and any Canadian federal court or administrative, regulatory or governmental body, and any federal or state court or administrative, regulatory or governmental body in the United Kingdom, the United States of America, and any court or administrative, regulatory or governmental body in any other jurisdiction to act in aid of or to be complementary in carrying out the terms of this Order. The Receiver shall be a foreign representative of the Applicants and shall be at liberty, and is hereby authorized and empowered to apply, as it may consider necessary or desirable, to any other Court or administrative body for an Order recognizing the appointment of the Receiver in such other jurisdiction or for such Orders and assistance as it may deem necessary or appropriate.





IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-cv-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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TAB Q

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE)	FRIDAY, THE 17th DAY
)	
JUSTICE J. CHADWICK)	OF OCTOBER, 1997.

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

- and -

**IN THE MATTER OF THE COURTS OF
JUSTICE ACT, R.S.O. 1990, c. C-43**

- and -

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.**

Applicants

O R D E R

THIS MOTION made by the Applicants Gandalf Technologies Inc. and Gandalf Canada Ltd. (hereinafter collectively "Gandalf" or the "Applicants") for the relief stated in the Notice of Motion herein, including:

- (i) an order validating and abridging the time for service of the Notice of Motion and Motion Record herein and declaring that this motion is properly returnable on October 17, 1997, and an order that any requirement to serve this Notice of Motion and the Motion Record herein on any interested parties other than those named herein be dispensed with;

- (ii) an Order approving the Asset Purchase Agreement dated as of October 17, 1997 (hereinafter referred to as the "DecisionOne Purchase Agreement") entered into by the Applicants as Seller and DecisionOne Corporation (hereinafter referred to as "DecisionOne") as Buyer, a copy of which is attached to the Affidavit of Diana Cianciusi, sworn October 17, 1997, filed;
- (iii) an Order pursuant to the *Companies' Creditors Arrangement Act* (hereinafter "CCAA") and Section 101 of *Courts of Justice Act* (hereinafter "COJA") appointing Deloitte & Touche Inc. ("DT") as Receiver (hereinafter referred to in such capacity as "the Receiver") of the "Business" and "Purchased Assets" as such terms are defined in the DecisionOne Purchase Agreement and authorizing and directing the Receiver to enter into the DecisionOne Purchase Agreement in accordance with its terms;
- (iv) an Order that, upon closing of the DecisionOne Purchase Agreement all right, title and interest in and to the Business and Purchased Assets shall irrevocably vest in DecisionOne, and its successors and assigns, free from all right, title or interest therein, of any other person or entity;
- (v) an Order that the proceeds of the DecisionOne Purchase Agreement shall be paid to the Receiver and used by the Receiver to fund the deficiency, if any, in the Bonus Pool as defined in the Employee Retention Plan attached to the Order issued by the Court on July 25, 1997 pursuant to the CCAA (the "CCAA Order") and thereafter at such time as the Monitor deems appropriate, to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees

entitled to participate therein with any balance of such proceeds to be distributed in accordance with the Plans of Compromise or Arrangement; and

- (vi) such further and other necessary or ancillary relief as is usual or as to this Honourable Court seems just;

was heard this day at the Court House, 161 Elgin Street, Ottawa.

ON READING the Motion Record of the Applicants and upon hearing counsel for the Applicants and the Royal Bank of Canada, such counsel having signified the consent of the Royal Bank to this Order;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this motion be, and it is hereby, abridged, and that the motion is properly returnable today; and, further, that the requirement for the service of the Notice of Motion and Motion Record upon any interested parties, other than those named herein, is hereby dispensed with.

2. **THIS COURT ORDERS** that the Asset Purchase Agreement dated as of October 17, 1997 between the Applicants as Sellers and DecisionOne as Buyer (hereinafter referred to as the "DecisionOne Purchase Agreement"), for the sale of the Business and Purchased Assets as defined therein (the terms "the Business" and "Purchased Assets" wherever referred to in this Order to have the meanings ascribed and defined in the DecisionOne Purchase Agreement), and on the terms and conditions set forth in the DecisionOne

Purchase Agreement, and the entering into of the DecisionOne Purchase Agreement by the Applicants be and the same are hereby approved.

3. **THIS COURT ORDERS** that DT be and it is hereby appointed as Receiver pursuant to s. 101 of the COJA and the CCAA without security, of the Business and Purchased Assets (in such capacity, DT shall hereinafter be referred to as the "Receiver"), with the authority as prescribed hereinafter.

4. **THIS COURT ORDERS** that the Receiver is authorized and directed to adopt and complete the DecisionOne Purchase Agreement in accordance with its terms subject to such amendments as the Receiver may approve which do not substantially alter the DecisionOne Purchase Agreement or the ability of the Receiver to make the payments referred to in paragraph 9 of this Order, and the Applicants are directed to provide such assistance as the Receiver may require to complete the DecisionOne Purchase Agreement.

5. **THIS COURT ORDERS** that the Applicant and all persons having notice of this Order upon demand shall deliver, without delay, to the Receiver, prior to the closing of the DecisionOne Purchase Agreement or to DecisionOne after the closing of the DecisionOne Purchase Agreement, such portion of the Purchased Assets as is in such person's possession.

6. **THIS COURT ORDERS** that the Receiver shall be empowered and is hereby directed to execute, as Receiver, by and on behalf of the Applicants all and any further

assurances required to convey the Business and Purchased Assets and do all things necessary or desirable to complete the transactions contemplated under the DecisionOne Purchase Agreement.

7. **THIS COURT ORDERS** that the Receiver be and is hereby relieved from compliance with the notice provisions of Part V of the *Personal Property Security Act*, (hereafter the "PPSA") and any other notice, statutory or otherwise, which a creditor or other party is required to issue in order to dispose of the collateral of a debtor.

8. **THIS COURT ORDERS** that upon execution and delivery to DecisionOne of a certificate of the Receiver stating that all conditions of closing have been satisfied or waived in accordance with the DecisionOne Purchase Agreement, all of the right, title and interest of the Receiver and the Applicants in and to the Business and Purchased Assets, wherever situate, and the right, title or interest of any other person that possesses any right, title or interest therein shall be vested in DecisionOne, its successors and assigns, free and clear of all estate, right, title, claims, interest, mortgages, charges, liens, security interests, deemed trusts, encumbrances, pledges, adverse claims, title retention agreements or other limitations or restrictions of any nature whatsoever, including, without limitation, any rights or interests of any creditors (secured, unsecured, liquidated, unliquidated or contingent) of the Applicants, and any and all charges created pursuant to paragraphs 15 and 17 of the CCAA Order, provided that the Monitor under the Employee Retention Plan Charge and the Royal Bank of Canada (the "Bank") shall continue to have a perfected security interest

in the proceeds obtained by the Receiver in respect of the sale of the Business and Purchased Assets in accordance with their security until all liabilities and/or indebtedness of the Applicants to the Bank under the Credit Facilities and the Monitor under the Employee Retention Plan are paid in full.

9. **THIS COURT ORDERS** that the proceeds of the DecisionOne Purchase Agreement shall be paid to the Receiver and used by the Receiver to fund the deficiency, if any, in the Bonus Pool as defined in the Employee Retention Plan attached to the CCAA Order and thereafter at such time as the Monitor deems appropriate, to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees entitled to participate therein with any balance of such proceeds to be distributed in accordance with the Plans of Compromise or Arrangement.

10. **THIS COURT ORDERS** that, for greater certainty and notwithstanding any other provisions of this Order, the Receiver shall not be authorized to employ and shall not be deemed to be the employer of any employees of the Applicants nor shall the Receiver go into possession or control, nor be deemed to be in possession or control of any of the assets or premises of the Applicants.

11. **THIS COURT ORDERS** that the Receiver shall not be and shall not be deemed to be a successor employer as defined in the *Labour Relations Act* (Ontario), and the *Employment Standards Act* (Ontario) or in any other similar provincial or federal legislation or otherwise

be made liable for the obligations of the Applicants or any of their affiliates to their employees or former employees. Further, by the granting of this Order, the Business and Purchased Assets of the Applicants shall not have been sold to the Receiver and will continue to be the assets of the Applicants until sold, in whole or in part, to DecisionOne. In this paragraph "sells" includes leases, transfers, and any other manner of disposition, and "sold" and "sale" have corresponding meanings.

12. **THIS COURT ORDERS** that, where required for the purpose of fulfilling its duties as Receiver, the Receiver is entitled, at its expense, to have access to, and inspect and to make and take away copies of any books, documents, contracts, papers and records of every nature and kind whatsoever including, but not limited to, accounting records and computer software, telephone programs and data, and all monies, cheques, remittances of every nature and kind whatsoever relating to the affairs of the Applicants or the Business and Purchased Assets thereof, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to DecisionOne, as the case may be, and all persons having notice of this Order shall forthwith permit the Receiver to make copies, for the purpose of allowing the Receiver to complete its duties hereunder.

13. **THIS COURT ORDERS** that if any information relative to the Business and Purchased Assets of the Applicants is stored or otherwise contained on a computer or other electronic system of information storage, whether by the Applicants or by any other person

pursuant to a private agreement with the Applicants, the Receiver is entitled, for the purpose of fulfilling its duties hereunder, to unfettered access thereto and to obtain a full copy of any such information whether by way of printing onto paper or making copies of computer discs or such other manner of retrieving and copying such information as the Receiver, in its discretion, deems expedient, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to DecisionOne, as the case may be.

14. **THIS COURT ORDERS** that all costs, charges and expenses of the Receiver properly incurred in discharging its duties hereunder, including the Receiver's fees and disbursements shall be paid by the Applicants. The Receiver shall be at liberty to pass its accounts and apply for a discharge, concurrently with its Application in the same respect in its capacity as Monitor under the CCAA Order.

15. **THIS COURT ORDERS** that no suit, action or other proceeding, self-help remedy or legal or administrative proceeding against the Applicants or the Receiver or in respect of the Business and Purchased Assets, wherever located, may be proceeded with or commenced except by leave of the Court obtained by notice of motion on seven (7) days' notice in writing to the Receiver, DecisionOne and the Applicants.

16. **THIS COURT ORDERS** that the Receiver shall not be liable for any existing order, directive or violation of any federal, provincial or municipal statute, regulation or by-law concerning the environment or the transportation of dangerous goods but the Receiver may, in its sole discretion, but shall not be obliged to, remedy any act or omission of the Applicants pertaining to the provisions of any federal, provincial or municipal statute, regulation or by-law concerning the environment or any outstanding order or directive made pursuant to thereto, except upon further order of the Court, provided that in so doing, the Receiver shall not become liable as aforesaid.

17. **THIS COURT ORDERS** that the Receiver or any party affected by this Order shall be at liberty to apply to the Court for advice and direction concerning the discharge of the Receiver's duties and powers, on seven days' notice to the Applicants and the Receiver, and to any other person likely to be affected by the matters in issue.

18. **THIS COURT ORDERS** that the Receiver shall not incur any liability or obligation as a result of the making of this Order, the appointment of the Receiver or the carrying out of the provisions of this Order save and except the Receiver shall be liable for gross negligence or wilful misconduct on its part, and no action, application or other proceeding shall be taken, made or continued against the Receiver without the leave of this Court first being obtained.

19. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any court or administrative body in Canada and any other court or administrative body in any other province or territory of Canada, including the assistance of any court in Canada pursuant to section 17 of the CCAA, and any Canadian federal court or administrative, regulatory or governmental body, and any federal or state court or administrative, regulatory or governmental body in the United States of America, and any court or administrative, regulatory or governmental body in any other jurisdiction to act in aid of or to be complementary in carrying out the terms of this Order. The Receiver shall be a foreign representative of the Applicants and shall be at liberty, and is hereby authorized and empowered to apply, as it may consider necessary or desirable, to any other Court or administrative body for an Order recognizing the appointment of the Receiver in such other jurisdiction or for such Orders and assistance as it may deem necessary or appropriate.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36
IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF ET AL

Court file no. 97-cv-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

F#3716105

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K1P 6L2

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Solicitors for the Applicants
(Box 309)

TAB R

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE) WEDNESDAY, THE 12th DAY
)
JUSTICE CHILCOTT) OF NOVEMBER, 1997.

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

- and -

IN THE MATTER OF THE *COURTS OF
JUSTICE ACT*, R.S.O. 1990, c. C-43

- and -

**IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF GANDALF TECHNOLOGIES INC.
AND GANDALF CANADA LTD.**

Applicants

ORDER

THIS MOTION made by DELOITTE & TOUCHE INC., Receiver and Manager (hereinafter "Receiver") of Gandalf Technologies Inc. and Gandalf Canada Ltd. (hereinafter collectively "Gandalf") for the relief stated in the Notice of Motion herein, including:

- (i) an order validating and abridging the time for service of the Notice of Motion and Motion Record herein and declaring that this motion is properly returnable on November 12, 1997, and an order that any requirement to serve this Notice of Motion and the Motion Record herein on any interested parties other than those named herein be dispensed with;

- (ii) an Order approving the sale of 98,235 Common Shares in ActiveSystems Inc. (hereinafter "ActiveSystems") by Gandalf Technologies Inc. to Active Systems;
- (iii) an Order that, upon closing of the sale of the 98,235 Common Shares all right, title and interest in and to the Common Shares shall irrevocably vest in ActiveSystems, and its successors and assigns, free from all right, title or interest therein, of any other person or entity;
- (iv) an Order that the proceeds of the sale of the 98,235 ActiveSystems Common Shares, being \$29,470.50 shall be paid to the Receiver and used by the Receiver to fund the deficiency, if any, in the Bonus Pool as defined in the Employee Retention Plan attached to the Order issued by the Court on July 25, 1997 pursuant to the CCAA (the "CCAA Order") and thereafter at such time as the Monitor deems appropriate, to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees entitled to participate therein with any balance of such proceeds to be distributed in accordance with the Plans of Compromise or Arrangement; and
- (v) such further and other necessary or ancillary relief as is usual or as to this Honourable Court seems just;

was heard this day at the Court House, 161 Elgin Street, Ottawa.

ON READING the Motion Record of the Receiver and upon hearing counsel for the Receiver and the Royal Bank of Canada, such counsel having signified the consent of the Royal Bank to this Order;

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record in respect of this motion be, and it is hereby, abridged, and that the motion is properly returnable today; and, further, that the requirement for the service of the Notice of Motion and Motion Record upon any interested parties, other than those named herein, is hereby dispensed with.
2. **THIS COURT ORDERS** that the sale of 98,235 Common Shares in ActiveSystems, to ActiveSystems by Gandalf Technologies Inc. , at a purchase price of \$0.30 per share, for the aggregate amount of \$29,470.50 is hereby approved.
3. **THIS COURT ORDERS** that Gandalf and all persons having notice of this Order upon demand shall deliver, without delay, to the Receiver, at the time of closing of the sale of the 98,235 ActiveSystems Common Shares, such portion of the Purchased Share Certificates that is in such person's possession.
4. **THIS COURT ORDERS** that the Receiver be and is hereby relieved from compliance with the notice provisions of Part V of the *Personal Property Security Act*, (hereafter the

"PPSA") and any other notice, statutory or otherwise, which a creditor or other party is required to issue in order to dispose of the collateral of a debtor.

5. **THIS COURT ORDERS** that upon execution and delivery to ActiveSystems of the Common Share Share Certificates all of the right, title and interest of the Receiver and Gandalf in and to the Common Shares, wherever situate, and the right, title or interest of any other person that possesses any right, title or interest therein shall be vested in ActiveSystems, its successors and assigns, free and clear of all estate, right, title, claims, interest, mortgages, charges, liens, security interests, deemed trusts, encumbrances, pledges, adverse claims, title retention agreements or other limitations or restrictions of any nature whatsoever, including, without limitation, any rights or interests of any creditors (secured, unsecured, liquidated, unliquidated or contingent) of Gandalf, and any and all charges created pursuant to paragraphs 15 and 17 of the CCAA Order, provided that the Monitor under the Employee Retention Plan Charge and the Royal Bank of Canada (the "Bank") shall continue to have a perfected security interest in the proceeds obtained by the Receiver in respect of the sale of the Common Shares in accordance with their security until all liabilities and/or indebtedness of the Applicants to the Bank under the Credit Facilities and the Monitor under the Employee Retention Plan are paid in full.

6. **THIS COURT ORDERS** that the proceeds of the sale of the ActiveSystems Common Shares shall be paid to the Receiver and used by the Receiver to fund the deficiency, if any, in the Bonus Pool as defined in the Employee Retention Plan attached to the CCAA Order

and thereafter at such time as the Monitor deems appropriate, to pay and distribute the amount of such Bonus Pool to those Bonus Pool Employees entitled to participate therein with any balance of such proceeds to be distributed in accordance with the Plans of Compromise or Arrangement.

7. **THIS COURT ORDERS** that, where required for the purpose of fulfilling its duties as Receiver, the Receiver is entitled, at its expense, to have access to, and inspect and to make and take away copies of any books, documents, contracts, papers and records of every nature and kind whatsoever including, but not limited to, accounting records and computer software, telephone programs and data, and all monies, cheques, remittances of every nature and kind whatsoever relating to the affairs of Gandalf or the Business and Purchased Assets thereof, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to ActiveSystems, as the case may be, and all persons having notice of this Order shall forthwith permit the Receiver to make copies, for the purpose of allowing the Receiver to complete its duties hereunder.

8. **THIS COURT ORDERS** that if any information relative to the sale of the ActiveSystems Common Shares is stored or otherwise contained on a computer or other electronic system of information storage, whether by Gandalf or by any other person pursuant to a private agreement with Gandalf, the Receiver is entitled, for the purpose of fulfilling its duties hereunder, to unfettered access thereto and to obtain a full copy of any

such information whether by way of printing onto paper or making copies of computer discs or such other manner of retrieving and copying such information as the Receiver, in its discretion, deems expedient, provided that the Receiver shall maintain such copies and the information therein in strict confidence and not disclose same to any third party except where required by law and after notice to ActiveSystems, as the case may be.

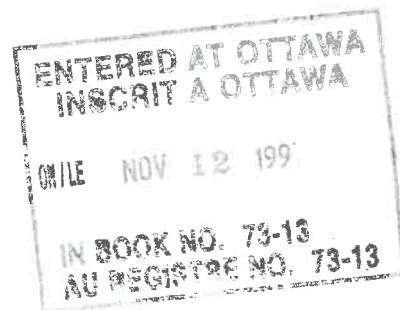
9. **THIS COURT ORDERS** that no suit, action or other proceeding, self-help remedy or legal or administrative proceeding against Gandalf or the Receiver or in respect of the ActiveSystems Common Shares, wherever located, may be proceeded with or commenced except by leave of the Court obtained by notice of motion on seven (7) days' notice in writing to the Receiver, and ActiveSystems.

10. **THIS COURT ORDERS** that the Receiver or any party affected by this Order shall be at liberty to apply to the Court for advice and direction concerning the discharge of the Receiver's duties and powers, on seven days' notice to the Receiver, and to any other person likely to be affected by the matters in issue.

11. **THIS COURT SEEKS AND REQUESTS** the aid and recognition of any court or administrative body in Canada and any other court or administrative body in any other province or territory of Canada, including the assistance of any court in Canada pursuant to section 17 of the CCAA, and any Canadian federal court or administrative, regulatory or governmental body, and any federal or state court or administrative, regulatory or

governmental body in the United States of America, and any court or administrative, regulatory or governmental body in any other jurisdiction to act in aid of or to be complementary in carrying out the terms of this Order. The Receiver shall be a foreign representative of the Applicants and shall be at liberty, and is hereby authorized and empowered to apply, as it may consider necessary or desirable, to any other Court or administrative body for an Order recognizing the appointment of the Receiver in such other jurisdiction or for such Orders and assistance as it may deem necessary or appropriate.

"Ch./co# J"




IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANDALF ET AL

Court file no. 97-CV-2522

Approved as to form and content

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa


Solicitor for The Royal Bank


Solicitor for Cleavison Corp.


Solicitor for IBM Canada

ORDER

F#3716105

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FILED Ont. Court (General Div.)
THE REGISTRAR, MINISTRY OF JUSTICE
OF ONTARIO

NOV 19 1997

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TAB S

ONTARIO COURT (GENERAL DIVISION)

THE HONOURABLE MR.
JUSTICE CHADWICK

) Thursday, the 19th day of
) March, 1998

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

IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.

B E T W E E N:

Amatuzio Class Claimants

Moving Parties

- and -

Gandalf Technologies Inc. and Deloitte & Touche Inc, as Monitor of Gandalf Technologies Inc.

Respondents

ORDER

THIS MOTION, made by the Moving Parties, for an order reversing and setting aside the Respondents' disallowance of the Moving Parties' Proof of Claim, was heard this day at Ottawa.

ON READING the affidavit of Barbara Fulford sworn December 5th, 1997, filed, and the exhibits attached thereto and on hearing submissions of counsel for the parties,

1. **THIS COURT ORDERS** that, pending the resolution of the following court actions (by settlement or judgement of the court having jurisdiction in respect of the said actions), the within Motion is adjourned *sine die*, returnable by either the Moving Parties or the Respondents on not less than twenty (20) days' notice:

- a. Amatuzio et al v. Gandalf Systems Corporation et al. being Civil Action No. 95 CV 4808, District Court for the District of New Jersey;
 - b. Chambers et al v. Gandalf Systems Corporation et al. being Civil Action No. 96 CV 621, District Court for the District of New Jersey.
2. **THIS COURT FURTHER ORDERS** that absent the written consent of the Moving Parties or further order of this Honourable Court, in the event that there is any distribution or payment under the Plan by the Respondents to Unsecured Creditors (as that term is defined in the Plan), the Respondent, Deloitte & Touche Inc., Monitor of Gandalf Technologies Inc. (the "Monitor") shall hold back from such distribution or payment an amount equal to the Moving Parties' full potential *pro rata* share of such distribution.
 3. **THIS COURT FURTHER ORDERS** that solely for the purpose of calculating the holdback referred to in the preceding paragraph, the Monitor shall treat the value of the Moving Parties' claim under the Plan as equal to the amount of \$2,139,608.39 U.S., being the amount set out in the Proof of Claim filed on behalf of the Moving Parties dated November 5th, 1997.

"Justice Chadwick"

ENTERED AT OTTAWA
INSCRIT A OTTAWA

FILE MAR 10 1998

IN BOOK NO. 73-13
AU REGISTRE NO. 73-13

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

IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.

Amatuzio Class Claimants
Moving Parties

and Gandalf Technologies Inc. et al.

Respondents

Court File No. 97-CV-2522

ONTARIO COURT (GENERAL DIVISION)

Proceeding commenced at Ottawa

ORDER

MARION Z. BLACK
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Solicitor for the Moving Parties

TAB T

303-1

Court File No. 97-CV-2522

SUPERIOR COURT OF JUSTICE

THE HONOURABLE *SIR J. J.*) , THE *30TH* DAY
)
) OF SEPTEMBER, 1999

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

- and -

IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C-43

- and -

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF
TECHNOLOGIES INC. AND GANDALF CANADA LTD.

BETWEEN:

AMATUZIO CLASS CLAIMANTS

Moving Parties

- and -

GANDALF TECHNOLOGIES INC. and DELIOTTE & TOUCHE INC.,
as Monitor of Gandalf Technologies Inc.

Respondents

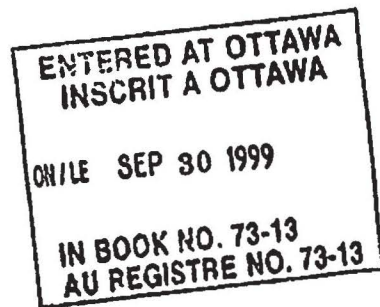
ORDER

ON READING the consent of the Moving Parties and the Respondents. and on reading the
Order of Mr. Justice Chadwick dated March 19, 1998 ("the Chadwick Order").

1. THIS COURT ORDERS that the motion brought by the Moving Parties, and which is the
subject of the Chadwick Order, is hereby withdrawn on consent without costs.

2. THIS COURT FURTHER ORDERS that any requirement for a holdback imposed by paragraphs 2 and 3 of the Chadwick Order is hereby removed, and that the Respondent Deloitte & Touche Inc., Monitor of Gandalf Technologies Inc. ("the Monitor"), shall be permitted to effect any distribution or payment under the Plan by the Respondents to Unsecured Creditors (as that term is defined in the Plan), free from any such holdback.





IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C 1985., c. C-36
IN THE MATTER OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, c. C-43
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF TECHNOLOGIES INC.

and

Gandalf Technologies Inc. et al.
Respondents

Court file no. 97-CV-2522

SUPERIOR COURT OF JUSTICE

Proceeding commenced at Ottawa

ORDER

F#3716105

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Melanie Polowin
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Solicitors for the Respondents

TAB U

Gandalf Technologies Inc. and Gandalf Canada Ltd.
Payments to the Royal Bank of Canada (Class I)

Date of Payments	US 400-430-5	US 400-366-1	US 400-408-1	CDN 103-539-3	CDN 103-533-6
August 7, 1997		11,500,000.00			
August 7, 1997		72,056.49			
August 7, 1997		50,000.00			
August 7, 1997		293,750.00			
August 22, 1997		263,635.79			
August 22, 1997		575,039.21			181,485.62
August 27, 1997		437,544.33			
August 27, 1997		58,000.00	700,000.00		
August 27, 1997			185,000.00		
September 10, 1997			265,000.00		
September 26, 1997					
October 31, 1997		35,000.00			
November 27, 1998	150,090.42			263,549.80	
January 7, 1998	50,000.00				
Total	\$ 200,090.42	\$13,285,025.82	\$1,150,000.00	\$ 263,549.80	\$ 181,485.62
Total	\$ 14,635,116.24	USD		\$ 445,035.42	CDN

Appendix U

Gandalf Technologies Inc. and Gandalf Canada Ltd. Class 11 (A)-Real Property Creditors' Abandoned Premises

Name	Date of Payment	Amount
Glenview Corporation	August 27, 1997	\$ 114,833.56
235 Investment Limited	August 27, 1997	20,496.01
Slough Estates Canada Limited	August 27, 1997	8,116.33
WW Hotels (Dartmouth) Company	August 27, 1997	6,197.54
		\$ 149,643.44

Appendix U

Gandalf Technologies Inc. and Gandalf Canada Ltd. Payments to Other Secured Creditors (Class 11)

Name	Date of Payment	Amount
Commcorp	December 11, 1997	\$ 13,560.00
Commdisco	January 7, 1998	11,113.04
		<u>\$ 24,673.04</u>

Appendix U

Gandalf Canada Limited Unsecured Creditors-Employees Class III

Name	Proof of claim			Less Deductions (EI, CPP, Tax, RRSP)		Net
	in US	CDN	20%			
Alain Leblanc	\$ 4,268.24	\$ 6,278.15	\$ 1,255.63	\$ 262.00	\$ 993.63	
Alena Sieber	6,756.78	9,938.55	1,987.71	376.78	1,610.93	
Ali Nour	2,622.17	3,856.95	771.39	227.85	543.54	
Allen Lyons	8,464.32	12,450.17	2,490.03	464.31	2,025.72	
Amy Ng	5,153.82	7,580.75	1,516.15	214.50	1,301.65	
Angele Mineault	9,016.81	13,262.83	2,652.57	265.83	2,386.74	
Ann Gordon	13,892.81	20,434.93	4,086.99	1,207.20	2,879.79	
Anne Charron	6,802.71	10,006.11	2,001.22	358.28	1,642.94	
Anthony Leroux	5,111.39	7,518.34	1,503.67	297.18	1,206.49	
Artem Iodko	5,270.72	7,752.70	1,550.54	457.98	1,092.56	
Barbara MacLennan	3,310.70	4,869.71	973.94	287.68	686.26	
Barbara Vankessel	19,350.17	28,462.17	5,692.43	936.26	4,756.17	
Stephen Bernard	17,679.72	26,005.10	5,201.02	-	5,201.02	
Beverly Pennock	7,903.71	11,625.57	2,325.11	265.17	2,059.94	
Beverly Whelly	8,734.62	12,847.75	2,569.55	758.98	1,810.57	
Bonnie Moore	3,371.08	4,958.52	991.70	292.93	698.78	
Brian McKay	7,156.43	10,526.39	2,105.28	421.20	1,684.08	
Bruce Allison	24,409.82	35,904.40	7,180.88	1,172.53	6,008.35	
Bruce McMillan	6,872.05	10,108.10	2,021.62	370.74	1,650.88	
Cam-Liet Thi	1,923.06	2,828.63	565.73	-	565.73	
Carl Waugh	2,047.25	3,011.30	602.26	177.89	424.37	
Carmen Chambers	9,564.45	14,068.35	2,813.67	456.75	2,356.92	
Cecile Benoit	3,596.41	5,289.96	1,057.99	105.80	952.19	
Charles Ayotte	8,749.93	12,870.27	2,574.05	432.48	2,141.57	
Cheryl Smith	9,655.43	14,202.17	2,840.43	564.53	2,275.90	
Chris Atkinson	3,854.26	5,669.23	1,133.85	334.91	798.94	
Chris Irwin	4,675.91	6,877.80	1,375.56	137.56	1,238.00	
Christian Gascon	7,157.42	10,527.85	2,105.57	314.41	1,791.16	
Christine Lum	8,538.57	12,559.38	2,511.88	429.70	2,082.18	
Christopher Sullivan	8,082.23	11,888.15	2,377.63	702.29	1,675.34	
Cindy Blois	4,719.31	6,941.63	1,388.33	277.37	1,110.96	
Cindy Howard	2,618.62	3,851.73	770.35	227.54	542.80	
Clemence Malette	7,525.12	11,068.70	2,213.74	221.37	1,992.37	
Colin Robinson	12,897.60	18,971.08	3,794.22	758.58	3,035.64	
Cynthia Bobbsemples	13,294.02	19,554.17	3,910.83	611.70	3,299.13	
Cynthia Kneif	19,581.36	28,802.22	5,760.44	1,097.55	4,662.89	
Francois Charron	7,536.37	11,085.25	2,217.05	20.94	2,196.11	
Dan Nguyen	8,123.84	11,949.36	2,389.87	1,118.42	1,271.45	
Daniel Blais	13,167.77	19,368.47	3,873.69	1,144.19	2,729.50	
Daniel Brisson	25,319.81	37,242.91	7,448.58	5,542.87	1,905.71	
Darla Fisher	4,570.94	6,723.40	1,344.68	272.29	1,072.39	
Darlene Barrett	16,158.29	23,767.23	4,753.45	787.10	3,966.35	
David Binder	27,197.76	40,005.19	8,001.04	186.05	7,814.99	
David D'Amico	1,944.09	2,859.56	571.91	168.93	402.98	
David Deyell	5,438.38	7,999.31	1,599.86	320.80	1,279.06	

Appendix U

Gandalf Canada Limited Unsecured Creditors-Employees Class III

Name	Proof of claim in US	CDN	20%	Less Deductions (EI, CPP, Tax, RRSP)	Net
David Erickson	3,724.03	5,477.68	1,095.54	232.22	863.32
David Huddleson	14,557.91	21,413.23	4,282.65	589.49	3,693.16
Denis Dupuis	5,130.70	7,546.75	1,509.35	293.31	1,216.04
Denise Shearer	3,371.08	4,958.52	991.70	292.93	698.78
Diana Cianciusi	7,611.26	11,195.40	2,239.08	661.37	1,577.71
Diane Hinds	928.57	1,365.83	273.17	80.69	192.48
Dick Busto (Richard)	40,997.09	60,302.62	12,060.52	3,015.13	9,045.39
Donald McCalder	126,362.91	185,867.20	37,173.44	16,117.34	21,056.10
Douglas Fitzgerald	2,173.75	3,197.37	639.47	188.88	450.59
Duy Fong Cho	8,352.26	12,285.34	2,457.07	1,816.00	641.07
Dwight Campbell	3,798.09	5,586.61	1,117.32	234.57	882.75
Ean Jackson	1,000.27	1,471.30	294.26	86.92	207.34
Eion Richards	11,377.26	16,734.81	3,346.96	688.93	2,658.03
Elfi Robertson	11,171.77	16,432.56	3,286.51	555.05	2,731.46
Elva Carnegie	8,346.36	12,276.66	2,455.33	1,702.72	752.61
Enh Tang	5,220.44	7,678.75	1,535.75	302.62	1,233.13
George Theriault	9,570.23	14,076.85	2,815.37	277.27	2,538.10
Gilbert Sauve	8,723.79	12,831.82	2,566.36	758.04	1,808.32
Gilberte Touissaint	8,892.26	13,079.63	2,615.93	434.50	2,181.43
Giuseppina Rossi	9,392.35	13,815.21	2,763.04	1,763.04	1,000.00
Gordon Richardson	4,405.20	6,479.61	1,295.92	382.78	913.14
Hal Nauss	24,612.03	36,201.83	7,240.37	1,289.78	5,950.59
Hamida Waheed	11,754.98	17,290.40	3,458.08	717.39	2,740.69
Hau Duc Tran	2,081.19	3,061.22	612.24	180.84	431.40
Hau Nguyen	8,100.07	11,914.39	2,382.88	441.13	1,941.75
Heather MacIntosh	8,009.80	11,781.61	2,356.32	696.00	1,660.32
Hin Khau Ong	4,404.89	6,479.15	1,295.83	255.92	1,039.91
Hugot Garnier	3,566.86	5,246.49	1,049.30	309.94	739.36
Jacques Dumouchel	2,424.10	3,565.61	713.12	210.64	502.48
James Wight	2,846.89	4,187.49	837.50	247.38	590.12
Jaroslav Zechel	4,531.68	6,665.65	1,333.13	271.86	1,061.27
Jean Lam	6,726.34	9,893.77	1,978.75	354.82	1,623.93
Jim Baglot	1,031.26	1,516.88	303.38	89.61	213.77
Joceline Lemieux	63,812.20	93,861.36	18,772.27	11,152.67	7,619.60
Johanne Phillion	8,345.41	12,275.26	2,455.05	419.80	2,035.25
John Pelkola	45,462.37	66,870.60	13,374.12	1,237.72	12,136.40
Josee Ross	12,456.10	18,321.68	3,664.34	592.54	3,071.80
Joseph Daves	5,835.40	8,583.29	1,716.66	507.06	1,209.60
Judy Yip	3,030.49	4,457.55	891.51	263.33	628.18
Jung Yu Kuo	596.21	876.97	175.39	17.54	157.85
Kai Wang	5,303.88	7,801.48	1,560.30	460.87	1,099.42
Karen Guiges	2,022.78	2,975.31	595.06	59.51	535.55
Kathleen Ferguson (Re Don Savage's claim)	6,650.49	9,782.21	1,956.44	255.39	1,701.05
Kathy O'Driscoll	9,787.20	14,395.99	2,879.20	537.87	2,341.33

Appendix U

Gandalf Canada Limited Unsecured Creditors-Employees Class III

Name	Proof of claim in US	CDN	20%	Less Deductions (EI, CPP, Tax, RRSP)	Net
Kelly Simzer	8,173.36	12,022.20	2,404.44	459.71	1,944.73
Kevin Keegan	24,818.93	36,506.16	7,301.23	2,156.61	5,144.63
Kevin Murphy	1,368.22	2,012.51	402.50	40.25	362.25
Kim Albota	7,542.35	11,094.04	2,218.81	450.59	1,768.22
Kim Dao Nguyen	8,092.11	11,902.68	2,380.54	421.95	1,958.59
Kim Guerard	4,832.37	7,107.93	1,421.59	284.04	1,137.55
Kim Hour Ung	4,213.54	6,197.70	1,239.54	250.70	988.84
Kim Weston	9,920.92	14,592.68	2,918.54	608.88	2,309.66
Kimberly DeRycke	10,475.57	15,408.51	3,081.70	419.29	2,662.41
Kit Fong	2,542.18	3,739.29	747.86	220.90	526.96
Kitty Ng	2,073.28	3,049.59	609.92	180.15	429.76
Larry Dunlop	2,807.42	4,129.43	825.89	243.95	581.94
Le Thanh Trinh	9,259.77	13,620.20	2,724.04	465.65	2,258.39
Linda Pearson	3,970.01	5,839.49	1,167.90	211.14	956.76
Linda Truong	5,112.64	7,520.18	1,504.04	46.19	1,457.85
Lisa Chang	8,085.00	11,892.23	2,378.45	702.53	1,675.91
Lisa MacKay	2,555.03	3,758.19	751.64	75.16	676.48
Lorraine Lalonde	6,047.36	8,895.06	1,779.01	-	1,779.01
Louise Lariviere	4,521.70	6,650.97	1,330.19	133.02	1,197.17
Luis DaSilva	4,121.01	6,061.59	1,212.32	245.33	966.99
Marc Akins	2,073.89	3,050.48	610.10	180.16	429.93
Margret Laws	10,353.77	15,229.36	3,045.87	499.86	2,546.01
Maria Almendrades	3,298.61	4,851.93	970.39	286.63	683.76
Maria Christie	5,193.38	7,638.94	1,527.79	152.78	1,375.01
Maria Perez	6,923.88	10,184.34	2,036.87	370.76	1,666.11
Marie Garnier	11,286.46	16,601.25	3,320.25	586.97	2,733.28
Marlene Cross	3,693.69	5,433.05	1,086.61	-	1,086.61
Martin Trew	5,988.62	8,808.66	1,761.73	342.40	1,419.33
Mary Bruce	3,371.09	4,958.54	991.71	292.93	698.78
Matthew Ward	3,722.40	5,475.28	1,095.06	323.45	771.60
Maureen Kelly	36,139.95	53,158.25	10,631.65	7,808.60	2,823.05
Maxine Raycroft	2,916.07	4,289.25	857.85	85.78	772.07
Mei Sheung Lee	5,969.10	8,779.95	1,755.99	330.43	1,425.56
Michael Rennie	32,797.36	48,241.64	9,648.33	2,412.08	7,236.25
Michael Smith	8,182.05	12,034.98	2,407.00	710.97	1,696.03
Michael Williams	16,417.36	24,148.29	4,829.66	1,426.56	3,403.10
Michel-Bazinet	24,687.19	36,312.39	7,262.48	717.45	6,545.03
Michel Lance	2,283.88	3,359.36	671.87	198.45	473.42
Mihaela Raducanu	6,286.52	9,246.84	1,849.37	396.15	1,453.22
Minh Quan Linh	4,127.46	6,071.08	1,214.22	761.87	452.35
Marina Trgachef	12,419.62	18,268.02	3,653.60	-	3,653.60
Monique Gillet	2,273.05	3,343.43	668.69	197.52	471.17
My Luc	7,070.66	10,400.23	2,080.05	384.69	1,695.36
Naomi Attley	9,733.81	14,317.46	2,863.49	465.49	2,398.00
Nenad Stevcic	5,364.59	7,890.78	1,578.16	466.15	1,112.01

Appendix U

Gandalf Canada Limited Unsecured Creditors-Employees Class III

Name	Proof of claim in US	CDN	20%	Less Deductions (EI, CPP, Tax, RRSP)	Net
Nhan Ha	7,750.09	11,399.61	2,279.92	270.75	2,009.17
Nikolay Dakev	4,918.79	7,235.05	1,447.01	427.41	1,019.60
Ok-Hee Lee	4,572.27	6,725.35	1,345.07	853.08	491.99
Paul Forgrave	11,185.41	16,452.62	3,290.52	635.06	2,655.46
Peggy Hum	7,791.00	11,459.78	2,291.96	269.30	2,022.66
Perry Waghorn	8,975.15	13,201.55	2,640.31	474.46	2,165.85
Peter McHarg	4,476.86	6,585.01	1,317.00	131.70	1,185.30
Phil Karam	12,997.33	19,117.77	3,823.55	382.36	3,441.19
Phuong Thai	8,970.50	13,194.71	2,638.94	438.96	2,199.98
Phuonge Le Luu	2,098.57	3,086.79	617.36	-	617.36
Pierre Dumouchel	8,447.73	12,425.77	2,485.15	419.77	2,065.38
Pierre Leblanc	4,337.53	6,380.07	1,276.01	376.90	899.11
Pierre Longchamps	9,749.69	14,340.82	2,868.16	512.35	2,355.81
Rajen Ambalavanar	4,566.92	6,717.48	1,343.50	396.83	946.66
Randolph Scott	8,840.23	13,003.09	2,600.62	445.82	2,154.80
Reissom Beshir	5,473.96	8,051.65	1,610.33	475.65	1,134.68
Richard Bechamp	2,793.61	4,109.12	821.82	242.75	579.08
Robert Barton	17,416.87	25,618.47	5,123.69	859.06	4,264.63
Robert Gibson	7,503.71	11,037.21	2,207.44	441.91	1,765.53
Robert Hodgson	4,519.29	6,647.42	1,329.48	274.28	1,055.20
Robert Hollands	8,157.47	11,998.82	2,399.76	708.83	1,690.93
Robert Hurlbut	7,323.22	10,771.72	2,154.34	636.34	1,518.01
Robert Summerby	4,326.94	6,364.50	1,272.90	-	1,272.90
Roger Goddard	5,380.77	7,914.57	1,582.91	304.54	1,278.37
Roger Lum	4,486.97	6,599.88	1,319.98	277.81	1,042.17
Roland Dumouchel	16,076.53	23,646.97	4,729.39	765.49	3,963.90
Roy Reaume	5,667.44	8,336.24	1,667.25	492.46	1,174.78
Russ McInnes	16,727.64	24,604.69	4,920.94	860.70	4,060.24
Sandra Baird	2,747.82	4,041.77	808.35	238.77	569.59
Sebastien Petit	4,024.30	5,919.34	1,183.87	349.69	834.18
Sharon McCue	11,443.83	16,832.73	3,366.55	630.05	2,736.50
Sharon Wolfe	3,555.38	5,229.61	1,045.92	104.59	941.33
Shirley Harbers	434.63	639.30	127.86	12.79	115.07
Siu-Kwan Cho	1,987.54	2,923.47	584.69	172.70	411.99
Stella Dean	10,342.31	15,212.50	3,042.50	329.22	2,713.28
Stella Smilovich	6,507.33	9,571.63	1,914.33	340.48	1,573.85
Steve Acosta	5,974.49	8,787.88	1,757.58	519.14	1,238.43
Steve Allard	2,563.02	3,769.95	753.99	222.71	531.28
Steve Filler	13,745.04	20,217.58	4,043.52	751.65	3,291.87
Steven Shamess	10,531.70	15,491.08	3,098.22	1,818.21	1,280.01
Susan Thomson	4,386.73	6,452.44	1,290.49	381.18	909.31
Suzanne Brazeau	8,394.06	12,346.82	2,469.36	410.44	2,058.92
Sylvie Brunet	8,051.79	11,843.38	2,368.68	405.79	1,962.89
Terry St.Louis	8,654.15	12,729.39	2,545.88	529.51	2,016.37
Theresa Casey	8,904.35	13,097.41	2,619.48	505.57	2,113.91

Appendix U

Gandalf Canada Limited Unsecured Creditors-Employees Class III

Name	Proof of claim in US	CDN	20%	Less	Net
				Deductions (EI, CPP, Tax, RRSP)	
Thi Nguyen	5,217.80	7,674.86	1,534.97	323.74	1,211.23
Thien Tran	594.40	874.30	174.86	17.48	157.38
Tina Sykas	4,111.55	6,047.68	1,209.54	357.27	852.27
Tony Mancini	1,021.30	1,502.23	300.45	88.74	211.70
Tony Oliver	10,694.78	15,730.95	3,146.19	929.31	2,216.88
Van Nguyen	2,186.76	3,216.51	643.30	64.33	578.97
Vidya Sharma	5,602.49	8,240.70	1,648.14	486.82	1,161.32
Wayne Dutchin	5,842.53	8,593.78	1,718.76	358.06	1,360.70
Wayne Hartley	3,831.49	5,635.74	1,127.15	112.71	1,014.44
Wendy Burgess	28,036.76	41,239.27	8,247.85	1,939.10	6,308.75
Wolfgang Carter	8,697.10	12,792.56	2,558.51	431.32	2,127.19
Michel Wynnyk	16,346.33	24,043.82	4,808.76	832.96	3,975.80
Yvon Bettez	31,912.86	46,940.63	9,388.13	1,862.11	7,526.02
Total	\$ 1,757,570.81	\$ 2,585,210.90	\$ 517,042.18	\$ 131,008.00	\$ 386,034.18

Appendix U

Gandalf Canada Ltd. ("GCL") Class IV - Trade Creditors

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
Absopulse Electronics Ltd.	\$ 2,599.47	\$ 519.89	1.4709	\$ 764.71
Access Beyond Inc.	17,629.00	3,525.80	1.4709	5,186.10
Advanced Circuit Services Inc.	7,798.92	1,559.78	1.4709	2,294.29
Advent Electronics Inc.	740.00	148.00	1.4709	217.69
Allied Pickfords	709.27	141.85	1.4709	208.65
Alzar Industries Inc.	1,695.90	339.18	1.4709	498.90
American Customs Brokerage Co. Inc.	100.00	20.00	1.4709	29.42
Amp of Canada Ltd.	10,704.60	2,140.92	1.4709	3,149.08
Amphenol Canada Corp.	395.75	79.15	1.4709	116.42
Amplex Chemical Products Ltd.	1,394.58	278.92	1.4709	410.26
Annis, O'Sullivan, Vollebakk Ltd.	467.43	93.49	1.4709	137.51
Anthem Electronics Canada Ltd.	3,217.49	643.50	1.4709	946.52
Arrow Electronics	51,022.85	10,204.57	1.4709	15,009.90
Ascom Canada Limited	363.79	72.76	1.4709	107.02
ATC-Frost Magnetics Inc.	4,510.34	902.07	1.4709	1,326.85
Augat Canada Inc.	3,544.96	708.99	1.4709	1,042.86
Avdel Textron	201.36	40.27	1.4709	59.24
Avo Multi-Amp Canada Limited	154.52	30.90	1.4709	45.46
Axidata Inc.	3,284.97	656.99	1.4709	966.37
Bay Networks	200.00	40.00	1.4709	58.84
BC Tel	264.52	52.90	1.4709	77.82
Berg Electronics Canada Inc.	1,300.00	260.00	1.4709	382.43
Best Western Victoria Park Suites Hotel	662.45	132.49	1.4709	194.88
Blue Line Taxi Co. Ltd.	353.31	70.66	1.4709	103.94
Brudac Canada Inc.	2,751.86	550.37	1.4709	809.54
Buffet Crystal	919.11	183.82	1.4709	270.38
Burlington Air Express (Canada) Ltd.	32,039.50	6,407.90	1.4709	9,425.38
Burlington Air Express (Canada) Ltd.	2,166.43	433.29	1.4709	637.32
The Bytown Group Inc.	151.60	30.32	1.4709	44.60
Cabano-Kingsway Transport Inc.	1,903.05	380.61	1.4709	559.84
Cablecom International Network Cabling	384.89	76.98	1.4709	113.23
Calcutron Corporation	1,158.93	231.79	1.4709	340.93
Calgary Convention Centre	39.69	7.94	1.4709	11.68
Canadian Corporate News Inc.	8,413.57	1,682.71	1.4709	2,475.10
Capital Food Services	14,700.28	2,940.06	1.4709	4,324.53
Canadian Computer Technologies	2,871.30	574.26	1.4709	844.68
CDS Inc.	313.37	62.67	1.4709	92.19
Cole-Parmer Instrument Co.	303.00	60.60	1.4709	89.14
Compair Canada	875.05	175.01	1.4709	257.42
Computer Associates Intl Inc.	1,325.47	265.09	1.4709	389.93
Computer & Network Stop	621.96	124.39	1.4709	182.97
Contractors Network Corporation	21,831.03	4,366.21	1.4709	6,422.25
Corporate Express Delivery Systems	355.24	71.05	1.4709	104.50
Courrier Duperron Inc.	288.00	57.60	1.4709	84.72
D.E. Systems Ltd.	3,064.12	612.82	1.4709	901.40
Daltco Electric & Supply	66.29	13.26	1.4709	19.50
Dana Commercial Credit, Canada Inc.	2,346.23	469.25	1.4709	690.21

Appendix U

Gandalf Canada Ltd. ("GCL") Class IV - Trade Creditors

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
Darome Canada	1,194.74	238.95	1.4709	351.47
Data Business Forms	2,731.42	546.28	1.4709	803.53
Dataweb Corporation	498.25	99.65	1.4709	146.58
Definiti Laser	543.15	108.63	1.4709	159.78
Deloitte & Touche	11,666.55	2,333.31	1.4709	3,432.07
Delta Products Corporation	5,670.00	1,134.00	1.4709	1,668.00
Diamond Multimedia Systems Inc.	74,085.00	14,817.00	1.4709	21,794.33
Diamond Multimedia Systems Inc.	9,032.74	1,806.55	1.4709	2,657.25
Diners Club en Route	46,615.99	9,323.20	1.4709	13,713.49
Dow Jones Markets Canada	376.23	75.25	1.4709	110.68
DuCharme, McMillen & Associates Inc.	21,985.26	4,397.05	1.4709	6,467.62
Dur-Pro Filtration	383.15	76.63	1.4709	112.72
Edcom Software	1,104.85	220.97	1.4709	325.02
Electronic Packaging Systems Limited	6,858.69	1,371.74	1.4709	2,017.69
Electro Rent Corporation	7,388.76	1,477.75	1.4709	2,173.63
Electro Sonic Inc.	891.23	178.25	1.4709	262.18
Electro Sonic Inc.	86.40	17.28	1.4709	25.42
Emery Worldwide, A CNF Co.	1,730.73	346.15	1.4709	509.15
Emx Enterprises Ltd.	17,588.54	3,517.71	1.4709	5,174.20
Englehard Canada Limited	427.10	85.42	1.4709	125.64
Escher-Grad	5,202.20	1,040.44	1.4709	1,530.38
Federal Express Canada Ltd.	8,357.04	1,671.41	1.4709	2,458.47
Filtran Ltd.	4,253.48	850.70	1.4709	1,251.29
The Fire Protection Centre	263.15	52.63	1.4709	77.41
First Electronics Ltd.	217.11	43.42	1.4709	63.87
First Electronics Ltd.	1,365.66	273.13	1.4709	401.75
Future Electronics Inc.	22,869.65	4,573.93	1.4709	6,727.79
Gartner Group Inc.	77,109.52	15,421.90	1.4709	22,684.08
GFS Manufacturing Co. Inc.	618.50	123.70	1.4709	181.95
Goldberg, Shinder, Gardner & Kronick	460.47	92.09	1.4709	135.46
Gordon S. Lowry	132.86	26.57	1.4709	39.08
Graham Decalcomania Inc.	9,344.90	1,868.98	1.4709	2,749.08
Grand & Toy Ltd.	1,025.14	205.03	1.4709	301.58
Grayhill Inc.	1,860.95	372.19	1.4709	547.45
Hadco Corporation	76,897.72	15,379.54	1.4709	22,621.77
Hamilton Hallmark	21,756.30	4,351.26	1.4709	6,400.27
Hansler Smith Limited	614.54	122.91	1.4709	180.79
Hewlett Packard (Canada) Ltd.	1,582.94	316.59	1.4709	465.67
Hewlett Packard Company	7,874.02	1,574.80	1.4709	2,316.38
High Tech Direct (Div. of Dynasty	1,899.57	379.91	1.4709	558.82
High Tech Direct (Div. of Dynasty	4,757.40	951.48	1.4709	1,399.53
Hotel Vancouver	627.12	125.42	1.4709	184.49
Hypertec Systems Inc.	25,272.58	5,054.52	1.4709	7,434.69
IBM Canada Limited	701,114.64	140,222.93	1.4709	206,253.90
Industry Canada (now Innovation, Science and Economic Development Canada)	3,974,087.65	794,817.53	1.4709	1,169,097.10
Infoguard Nies Inc.	2,332.82	466.56	1.4709	686.27

Appendix U

Gandalf Canada Ltd. ("GCL") Class IV - Trade Creditors

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
Information Systems Management	81,124.99	16,225.00	1.4709	23,865.35
Intelatech Inc.	38,889.45	7,777.89	1.4709	11,440.50
International Light Inc.	280.88	56.18	1.4709	82.63
ITL Circuits	3,283.63	656.73	1.4709	965.98
ITT Cannon Switch Products	310.00	62.00	1.4709	91.20
J-Squared Technologies Inc.	1,016.50	203.30	1.4709	299.03
JBM Electronics Inc.	2,550.00	510.00	1.4709	750.16
Kaytronics	2,779.72	555.94	1.4709	817.74
Kelly Services Ltd.	9,054.65	1,810.93	1.4709	2,663.70
KN Travel Inc.	1,477.47	295.49	1.4709	434.64
KPMG	27,742.09	5,548.42	1.4709	8,161.17
KTUCertelecom Laboratories	25,365.08	5,073.02	1.4709	7,461.90
LH Research	640.00	128.00	1.4709	188.28
Lambda Electronics (Canada) Inc.	1,607.05	321.41	1.4709	472.76
Lancaster Datamark	12,307.16	2,461.43	1.4709	3,620.52
Produits Polissage Empire Buff	434.80	86.96	1.4709	127.91
Linkdata Communications	4,454.86	890.97	1.4709	1,310.53
Livingston International Inc.	8,366.14	1,673.23	1.4709	2,461.15
Livingston International Inc.	3,825.78	765.16	1.4709	1,125.47
Lomor Printers Ltd.	4,244.16	848.83	1.4709	1,248.55
London Life	6,842.23	1,368.45	1.4709	2,012.85
Loomis Courier Service	558.50	111.70	1.4709	164.30
Lowe Martin Company Inc.	14,557.55	2,911.51	1.4709	4,282.54
M-tron Industries Inc.	4,771.20	954.24	1.4709	1,403.59
MacDerrid Chemicals Inc.	9,086.55	1,817.31	1.4709	2,673.08
Mannion's Pump House Ltd.	712.38	142.48	1.4709	209.57
Marshall Industries	452.89	90.58	1.4709	133.23
Mastech Corporation	8,031.37	1,606.27	1.4709	2,362.67
Matrix Electronics Limited	30,493.46	6,098.69	1.4709	8,970.57
Matrix Technology Limited	63.35	12.67	1.4709	18.64
Media Manufacturing Inc.	2,132.43	426.49	1.4709	627.32
Megatool Inc.	3,980.00	796.00	1.4709	1,170.84
Memofix Hitech Services Inc.	1,355.95	271.19	1.4709	398.89
Merisel Canada Inc.	4,326.67	865.33	1.4709	1,272.82
Mister Coffee & Services Inc.	265.43	53.09	1.4709	78.08
Mitel Networks Corporation	53,121.34	10,624.27	1.4709	15,627.24
Mitel Networks Corporation	48,000.00	9,600.00	1.4709	14,120.64
Mobilshred	69.54	13.91	1.4709	20.46
Mod-Tap	2,169.25	433.85	1.4709	638.15
Modern Cleaners	3,169.40	633.88	1.4709	932.37
Montreal Express	4,212.94	842.59	1.4709	1,239.36
Municipality of Clarington	267.85	53.57	1.4709	78.80
NCR Canada Ltd.	2,302.04	460.41	1.4709	677.21
Nelson Industrial Inc.	23,159.87	4,631.97	1.4709	6,813.17
Nepean Hydro	4,840.17	968.03	1.4709	1,423.88
Netrix Corporation	23,984.96	4,796.99	1.4709	7,055.90
NetVantage Inc.	31,950.00	6,390.00	1.4709	9,399.05

Appendix U

Gandalf Canada Ltd. ("GCL") Class IV - Trade Creditors

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
Nichicon (America) Corp.	468.30	93.66	1.4709	137.76
NN Life Insurance Company of Canada	85,421.33	17,084.27	1.4709	25,129.25
O.C.E. Electronics Limited	4,635.48	927.10	1.4709	1,363.67
O.E. Division of Canon Canada	2,583.35	516.67	1.4709	759.97
O.E. Financial Services	4,492.13	898.43	1.4709	1,321.49
O.E. Financial Services	265.26	53.05	1.4709	78.03
Ohlandt, Greeley, Ruggiero & Perle	45.00	9.00	1.4709	13.24
Olsten Services	1,113.11	222.62	1.4709	327.45
Omnitel SA	6,000.00	1,200.00	1.4709	1,765.08
ONET Networking	3,613.87	722.77	1.4709	1,063.13
Oracle Corporation Canada Inc.	7,629.61	1,525.92	1.4709	2,244.48
Ottawa Valley Salt Service	171.80	34.36	1.4709	50.54
Parable Communications Corp.	7,137.16	1,427.43	1.4709	2,099.61
Peacock, Linder & Halt	633.74	126.75	1.4709	186.43
Petro-Canada	17,111.70	3,422.34	1.4709	5,033.92
Philip Environmental Inc.	1,112.57	222.51	1.4709	327.30
Pioneer Standard Canada Inc.	6,358.61	1,271.72	1.4709	1,870.58
Plomberie Denis Paradis Inc.	216.93	43.39	1.4709	63.82
PLX Technology Inc.	3,312.00	662.40	1.4709	974.32
Pryor Metals Limited	12,073.00	2,414.60	1.4709	3,551.64
Purolator Courier	5,107.14	1,021.43	1.4709	1,502.42
Pylon Electronics Inc.	2,425.22	485.04	1.4709	713.45
Right Management Consultants	25,576.58	5,115.32	1.4709	7,524.12
RLD Industries Ltd.	4,848.18	969.64	1.4709	1,426.24
Robadair Limited	820.72	164.14	1.4709	241.44
Rogers Cantel	239.23	47.85	1.4709	70.38
S & S Electric	1,043.04	208.61	1.4709	306.84
Samtec Inc.	1,236.05	247.21	1.4709	363.62
Senior Industries Inc.	2,816.00	563.20	1.4709	828.41
Sentry Precision Sheet Metal Inc.	1,441.32	288.26	1.4709	424.01
Service Filtration of Canada Ltd.	245.07	49.01	1.4709	72.09
Shaver Business Products	1,121.02	224.20	1.4709	329.78
SHL Systemhouse	10,421.33	2,084.27	1.4709	3,065.75
SHL Systemhouse Inc.	33,802.08	6,760.42	1.4709	9,943.90
Siemens Components Inc.	24,141.46	4,828.29	1.4709	7,101.93
Smith Packaging Limited	6,613.08	1,322.62	1.4709	1,945.44
SMT Plus Inc.	84.95	16.99	1.4709	24.99
Snap-on Tools	37.74	7.55	1.4709	11.10
Sprint Canada	1,246.69	249.34	1.4709	366.75
Standard Micro Systems	119,806.50	23,961.30	1.4709	35,244.68
Sterling Components	9,937.98	1,987.60	1.4709	2,923.55
Switching Systems International	6,880.00	1,376.00	1.4709	2,023.96
TTI Inc.	16,790.77	3,358.15	1.4709	4,939.51
Tamura Corporation	3,348.50	669.70	1.4709	985.06
Tectol Inc.	43,139.18	8,627.84	1.4709	12,690.68
Telus Communications Inc.	1,979.89	395.98	1.4709	582.44
Telus Communications Inc.	2,501.96	500.39	1.4709	736.03

Appendix U

Gandalf Canada Ltd. ("GCL") Class IV - Trade Creditors

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
The Message Centre	1,583.06	316.61	1.4709	465.70
The Printing House Limited	38,326.26	7,665.25	1.4709	11,274.82
Top-Pacific Limited	37,904.70	7,580.94	1.4709	11,150.80
Toronto Plastics Ltd.	2,052.39	410.48	1.4709	603.77
Tri-M Technologies Ltd.	49,815.08	9,963.02	1.4709	14,654.60
TSB International Inc.	920.23	184.05	1.4709	270.71
U.S. Toyo Fan Corporation	1,106.25	221.25	1.4709	325.44
USL-1 Inc.	270.42	54.08	1.4709	79.55
Verilink Corporation	1,830.20	366.04	1.4709	538.41
Vernon Rentals & Leasing Inc.	369.93	73.99	1.4709	108.83
Volex Capulum Inc.	9,662.92	1,932.58	1.4709	2,842.64
Wackenhut of Canada Ltd.	10,685.89	2,137.18	1.4709	3,143.58
West-way Taxi Nepean Ltd.	183.98	36.80	1.4709	54.12
Workers Compensation Board	3,550.99	710.20	1.4709	1,044.63
Whitehead Associates Inc.	8,073.00	1,614.60	1.4709	2,374.92
Zilog Inc.	9,450.00	1,890.00	1.4709	2,780.00
GCL Class IV Trade Creditors	\$ 6,557,425.82	\$ 1,311,485.16		\$ 1,929,063.53

Dividends to Reissue

Access & Beyond	\$ 5,186.10
Dataweb Corporation	146.58
Infoguard Nies	686.27
Total	\$ 6,018.94

Appendix U

Gandalf Systems Corporation ("GSC")

Initial Distribution

US\$

Vendor	Claim Amount	Payment
American Express	\$ 102,837.56	\$ 20,567.51
Beaupre & Co.	34,000.00	6,800.00
Branca Properties Inc.	24,388.29	4,877.66
DBS Diversified Business Service	12,096.97	2,419.39
IBM Corporation	4,656.28	931.26
Independence Communications Inc.	642.38	128.48
Matrex Exhibits c/o	102,722.44	20,544.49
McCollister's Moving & Storage	4,182.16	836.43
Mecklermedia	9,320.00	1,864.00
Milner Document Products	100.00	20.00
Morgan, Lewis & Bockius	2,516.08	503.22
Northcreek Executive Office Suites, Inc.	2,395.03	479.01
Nuera Communications	75,000.00	15,000.00
Tokai Financial	9,106.32	1,821.26
Vital Records, Inc.	1,102.40	220.48
Washington Convention Center	562.30	112.46
Ohio Department of Taxation	1,650.00	330.00
Wisconsin Department of Revenue	6,259.56	1,251.91
State of New Jersey, Division of Taxation	18,475.94	3,695.19
US Department of Justice	289,000.00	57,800.00
State Board of Equalization	1,685.63	337.13
State of Illinois	27,218.00	5,443.60
Total GSC Trade Creditors	\$ 729,917.34	\$ 145,983.48

Note: outstanding dividend payment owed to

Tokai Financial \$ 1,821.26

Gandalf Technologies Inc. ("GTI")
Trade Creditor Payout

Name	Claim (US\$)	Interim Dividend	Exchange Rate	Paid (CDN\$)
Astea International Inc. (now IFS)	\$ 8,817.93	\$ 1,763.59	1.47	\$ 2,594.06
Burston-Marstellar (now Burson Cohn & Wolfe)	664,651.02	132,930.20	1.47	195,527.04
CIBC Mellon Trust Company	3,224.36	644.87	1.47	948.54
Cohn & Wole (now Burson Cohn & Wolfe)	104,923.62	20,984.72	1.47	30,866.43
Communications Management International Inc	135,000.00	27,000.00	1.47	39,714.30
Gardner, Charles	1,949.27	389.85	1.47	573.44
Goldberg, Shinder, Gardner & Kronick	2,482.28	496.46	1.47	730.24
Industry Canada (now Innovation, Science and Economic Development Canada)	1,403,302.04	280,660.41	1.47	412,823.39
KPMG	68,732.88	13,746.58	1.47	20,219.84
Microcom Inc.	478,443.08	95,688.62	1.47	140,748.39
Ramp Networks	35,048.43	7,009.69	1.47	10,310.55
Aventum IP Law LLP	7,830.68	1,566.14	1.47	2,303.63
Sinyor, Albert	2,256.70	451.34	1.47	663.88
Total GTI Class IV Creditors	<u>\$ 2,916,662.29</u>	<u>\$ 583,332.46</u>		<u>\$ 858,023.71</u>

IN THE MATTER OF THE APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED AND IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C-43 AND IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.

Applicant

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at **Ottawa**

CASE CONFERENCE BRIEF OF THE APPLICANTS
(Returnable December 8, 2020)

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Counsel for the Applicants

APPENDIX D

Lightspeed: CEO change amounts to a step back for diversity in corporate Canada

■ FROM B1

Mr. Pichette said in a statement that the board "is confident [Mr. Chauvet] is the natural choice" to become CEO.

Mr. Dasilva said in an interview: "JP has demonstrated amazing leadership at the company. This is a great time for him to step into the CEO role."

But the change also amounts to a step back for diversity in corporate Canada. Mr. Dasilva is one of a small minority of non-white CEOs of Canada's top public companies, and one of the only openly gay members of its ranks. Mr. Dasilva said he plans to stay "very involved" with Lightspeed — "I love it dearly" — while "creating room for JP's incredible leadership." He said he would continue to mentor young leaders from diverse communities.

Lightspeed was on a roll last September as its stock hit a high of \$165.87 on the Toronto Stock Exchange, making it one of Canada's most valuable publicly traded tech companies. Analysts were bullish: Lightspeed, which went public in 2010, had spent more than US\$2-billion to buy five companies in the previous year and posted strong first-quarter results. Mr. Chauvet talked about entering a "Braveheart battlefield" with Shopify Inc. after one of its acquisitions put it in competition with its larger Canadian peer.



'I believe Lightspeed is in the infancy of what it's going to become,' says Jean Paul Chauvet, left, who is taking over the chief executive role from company founder Dax Dasilva.

But the stock has since fallen 75 per cent fuelled by three events: In late September, short-seller Spruce Point Capital Management published a critical report, which Lightspeed dismissed as an inaccurate mischaracterization but which hurt the stock. The shares sold off further when Lightspeed released a revenue forecast in early November below

analyst expectations. Concerns over interest-rate hikes then hit technology stocks hard, particularly unprofitable ones, including Lightspeed.

Mr. Chauvet said as CEO he had three priorities. He wants to continue evolving the company's products, which are being overhauled as it integrates recent deals, and to hire top talent. His third priority is to keep delivering 35-per-cent to 40-per-cent organic

growth, winning business from merchants as they switch from legacy, on-premise computer systems to online options.

"I believe Lightspeed is in the infancy of what it's going to become," he said.

Mr. Chauvet and Mr. Dasilva both dismissed concerns about the stock price, whose fall has cut the value of Mr. Dasilva's Lightspeed stake to \$57-million from \$2.3-billion. "It's been a moment where the resilience of the company shines through," Mr. Dasilva said. Mr. Chauvet said Lightspeed is well-financed and "the water after the storm just needs to settle and we need to continue to execute and prove the value."

Mr. Dasilva, 45, the son of Ugandan immigrants, grew up in Vancouver, protested against clear-cutting in Clayquot Sound and learned how to program in his teens. He studied art history and religion at University of British Columbia before moving to Montreal, where he built software for Apple Macintosh dealers to help manage their stores with easy-to-use interfaces that mimicked the experience of using iTunes.

He launched Lightspeed from an apartment in 2005, and the local LGBTQ community played a key role in the early years as a source of his first employees and customers. Lightspeed grew rapidly after offering its software on

mobile devices over the internet, enabling small retailers and restaurants to manage inventory, point of sale and other functions across multiple channels.

Mr. Dasilva self-financed Lightspeed until he landed a US\$30-million investment in 2012 from Silicon Valley venture-capital company Accel. The deal established Lightspeed as one of Canada's leading startups at a time when the country's tech sector was reeling from the recession and downfall of titans Nortel Networks and BlackBerry. Canada's Inovia Capital and Caisse de dépôt et placement du Québec later invested.

With the Accel financing came seasoned executive hires to help the company grow. One of those was Mr. Chauvet, who hails from France and had held senior sales and marketing roles for employers ranging from startups to France Telecom.

Mr. Chauvet joined as chief revenue officer but eventually added other responsibilities such as partnerships, mergers and acquisitions and product management.

"For me this is more of an evolution, there's not much change to what I was doing, but I'm taking on more responsibility," he said. After 10 years, "I feel Lightspeed is a piece of me, too; it's my baby."

With reports from David Milstead

U.S. PRIVATE PAYROLLS DECREASE UNEXPECTEDLY IN JANUARY AS COVID-19 RESURGENCE DISRUPTS BUSINESS ACTIVITY

WASHINGTON U.S. private payrolls unexpectedly fell in January as a resurgence in COVID-19 infections disrupted business activity, the ADP National Employment Report showed on Wednesday.

Private payrolls dropped by 301,000 jobs last month, the ADP report said. Data for December were revised lower to show 776,000 jobs added instead of the initially reported 887,000. Economists polled by Reuters had forecast private payrolls would increase by 207,000 jobs.

"The labour market recovery took a step back at the start of 2022 due to the effect of the Omicron variant and its significant, though likely temporary, impact to job growth," Nela Richardson, chief economist at ADP, said in the report.

The ADP report is jointly developed with Moody's Analytics and was published ahead of the U.S. Labour Department's more comprehensive and closely watched employment report for January on Friday. It has, however, a poor record predicting the

private payrolls count in the department's Bureau of Labour Statistics employment report because of methodology differences.

Economists are expecting non-farm payrolls increased moderately or even dropped in January after coronavirus infections, driven by the Omicron variant, slammed the country.

According to the Census Bureau's Household Pulse Survey published in mid-January, 8.8 million people reported not being at work because of coronavirus-related reasons between

Dec. 29 and Jan. 10.

People who are out sick or in quarantine and do not get paid during the payrolls survey period are counted as unemployed in the BLS's survey of establishments even if they still have a job with their companies, unlike in the ADP report.

According to a Reuters survey of economists, non-farm payrolls likely increased by 150,000 jobs in January. The economy created 199,000 jobs in December, the fewest in a year.

The White House has been frantically trying to prepare the country for a disappointing number, with several officials offering a preview of the report.

"I think the key point, from our perspective, is the underlying strength of the economy," Jared Bernstein, a member of the White House Council of Economic Advisers, told CNN this week. "The underlying strength of the job market is ongoing because, as we have seen, the caseloads are turning over." REUTERS

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DIVIDENDS

NOTICE OF FINAL DIVIDEND IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. 36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF TECHNOLOGIES INC. ("GTI"), AND GANDALF CANADA LTD. ("GCL")

NOTICE IS HEREBY GIVEN THAT on July 25, 1997, the Ontario Court of Justice (General Division) (the "Court") granted an order pursuant to provisions of the CCA (the "Initial Order") and Deloitte Restructuring Inc. (formerly Deloitte & Touche Inc.) ("Deloitte") was appointed as Monitor of GTI and GCL.

On October 3, 1997, plans of arrangement for GTI and GCL (the "GTI Plan" and the "GCL Plan") were filed with the Court. On November 12, 1997, the Court approved amendments to each of the GTI Plan and the GCL Plan that provided for an additional class of creditors.

Meetings of creditors were then held on November 14, 1997 during which, among other things, the creditors unanimously approved both the amended GTI Plan and the amended GCL Plan. On November 21, 1997, the Court issued an order sanctioning the amended GTI and GCL Plans.

As Monitor of GTI, the parent company of Gandalf Systems Corporation ("GSC"), the Monitor negotiated an agreement with all creditors of GSC,

wherein GTI would not make a claim against GSC, and thereby not share in any dividends. In exchange, the creditors of GSC agreed not to pursue legal action against GSC or GTI. Pursuant to the agreement, GSC creditors therefore participate in any dividends distributed on the same basis as the creditors of GTI and GSC.

An Employee Retention Plan was established to provide an incentive to employees to continue working for the Gandalf companies during the restructurings. Eligible employees received a total of US\$5,500 (or Canadian dollar equivalent) and payments were made in each of December 1997, July 1998, and October 2001.

In November 1999, GTI and GSC creditors received an initial distribution of 20% on their claim. GCL creditors received an initial distribution of 20% in March 2001.

NOTICE IS ALSO HEREBY GIVEN that the CCA administration of GTI, GCL and GSC is now complete, and a final dividend was issued in the summer of 2021. For those creditors, including former employees, who did not receive a final dividend cheque, please contact the Monitor either by email at christow@deloitte.ca or at (416) 775-8831 to provide the Monitor with your new contact information to enable you to receive your final dividend cheque.

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Government puts a declining emphasis on COVID PCR tests

ALLISON JONES

TORONTO Ontario’s official COVID-19 testing volumes have plummeted since PCR access was sharply restricted in the face of an Omicron surge, but rather than widely re-expanding eligibility in the future, the province appears to be forging a new pandemic testing path.

Demand for tests at the end of last year saw a high of more than 75,000 processed the day the government announced eligibility would be limited largely to high-risk individuals — including patients in hospital, residents and staff in long-term care, and people being considered for COVID-19 treatments.

There have been calls to allow more residents to access gold-standard PCR tests, including students and staff in schools and child-care settings, now that an average of 25,460 tests have been processed each day over the past week, including a low of 15,008 one day on the weekend.

Instead, the government is sending millions of rapid antigen tests to schools and recent comments from the chief medical officer of health suggest shifting testing priorities, with a declining emphasis provincewide on PCR tests.

A spokeswoman for Health Minister Christine Elliott said Wednesday that Ontario may expand PCR testing to additional groups if there is capacity, and is actively looking at how to expand the use of rapid tests.

But using more rapid tests partly depends on supply from the federal government, and Ontario said that of the 54.3 million tests the federal government promised to deliver to the province in January, only 17.6 million were received.

Public health and infectious disease experts say prioritizing PCR tests for people at high risk for severe disease makes sense, but there are drawbacks to an increasing reliance on rapid tests.

Dr. Andrew Morris, an infectious diseases physician, said rapid tests

COVID-19: BY THE NUMBERS

Ottawa

(Reported Wednesday)

301: New cases* (Case numbers are regarded as underestimations due to reduced testing)

58,483: Total cases

6: New deaths

700: Total deaths

2,293: Active cases

79: In hospital

15: In ICU

168.5: Seven-day average of cases per 100,000 people

15.6: Per cent positivity in testing

Ontario

(Reported Wednesday)

3,909: New confirmed cases

1,039,825: Total cases

72: New deaths (includes five from a 'data clean up')

11,576: Total deaths

41,534: Active cases

2,939: Patients in hospital with COVID-related illness

*555: COVID patients in intensive care

will end up being helpful for an average person’s day-to-day functioning, but they are not a great tool for pandemic surveillance and management.

Rapid antigen tests are proving to be less accurate than PCR tests in detecting Omicron, at least early in an infection, he said, and there is so far no way in Ontario to track positive results.

Quebec has developed a portal for self-reporting rapid test results, and Morris and other experts say Ontario should consider something similar.

The Canadian Press

NOTICE OF FINAL DIVIDEND

IN THE MATTER OF THE COMPANIES’ CREDITORS ARRANGEMENT ACT,

R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GANDALF TECHNOLOGIES INC. (“GTI”), AND GANDALF CANADA LTD. (“GCL”)

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APPENDIX E

2012 ONSC 7124
Ontario Superior Court of Justice [Commercial List]

Canadian Red Cross Society / La Société Canadienne de la Croix-Rouge, Re

2012 CarswellOnt 16097, 2012 ONSC 7124, 225 A.C.W.S. (3d) 32, 99 C.B.R. (5th) 101

In the Matter of the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36

In the Matter of a Plan of Compromise or Arrangement of the Canadian Red Cross Society/La Société Canadienne de la Croix-Rouge; The Canadian Red Cross Society/La Société Canadienne de la Croix-Rouge Applicant

Michael McCarthy, Christine McCarthy, Derek Marchand Plaintiffs and The Canadian Red Cross Society, The Attorney General of Canada Defendants

D.M. Brown J.

Heard: December 7, 2012
Judgment: December 13, 2012
Docket: 98-CL-002970, 98-CV-143334

Counsel: A. Parley for Trustee
A. Carr for HCV Class
L. Redden for Accountant of the Superior Court of Justice

Subject: Civil Practice and Procedure; Insolvency

Related Abridgment Classifications

Bankruptcy and insolvency
[XIX](#) Companies' Creditors Arrangement Act
[XIX.5](#) Miscellaneous

Civil practice and procedure
[V](#) Class and representative proceedings
[V.2](#) Representative or class proceedings under class proceedings legislation
[V.2.c](#) Conduct of class proceeding
[V.2.c.v](#) Applications or motions

Headnote

Civil practice and procedure --- Parties — Representative or class proceedings under class proceedings legislation — Conduct of class proceeding — Applications or motions
Motion for directions — Charity facing class action proceedings entered plan of arrangement and compromise — Trusts were created for payment of claims — After settlement of proceedings, some cheques were sent out to class members but not cashed — Total funds available from uncashed cheques totalled \$483,983.33 — Trustee brought motion for directions regarding funds — Funds to be distributed to class members known as partially paid claimants — Money would be placed in hands of victims who were members of class — Claimants had obligation to inform claim administrator of their personal information — Searching for missing beneficiaries would be time consuming and could involve parties not under court supervision.

Bankruptcy and insolvency --- Companies' Creditors Arrangement Act — Miscellaneous

Motion for directions — Charity facing class action proceedings entered plan of arrangement and compromise — Trusts were created for payment of claims — After settlement of proceedings, some cheques were sent out to class members but not cashed — Total funds available from uncashed cheques totalled \$483,983.33 — Trustee brought motion for directions regarding funds — Funds to be distributed to class members known as partially paid claimants — Money would be placed in hands of victims who were members of class — Claimants had obligation to inform claim administrator of their personal information — Searching for missing beneficiaries would be time consuming and could involve parties not under court supervision.

Table of Authorities

Cases considered by *D.M. Brown J.*:

Canadian Red Cross Society / Société Canadienne de la Croix-Rouge, Re (2008), 48 C.B.R. (5th) 41, 2008 CarswellOnt 6105, 44 E.T.R. (3d) 31 (Ont. S.C.J.) — referred to

Canadian Red Cross Society / Société Canadienne de la Croix-Rouge, Re (2011), 79 C.B.R. (5th) 258, 2011 ONSC 4222, 2011 CarswellOnt 6036 (Ont. S.C.J. [Commercial List]) — referred to

Canadian Red Cross Society / Société canadienne de la Croix-Rouge, Re (2011), 2011 ONSC 4754, 2011 CarswellOnt 8448, 85 C.B.R. (5th) 194 (Ont. S.C.J. [Commercial List]) — referred to

Canadian Red Cross Society / Société canadienne de la Croix-Rouge, Re (2011), 2011 CarswellOnt 9017, 2011 ONSC 5255, 85 C.B.R. (5th) 201 (Ont. S.C.J. [Commercial List]) — referred to

McCarthy v. Canadian Red Cross Society (2001), 8 C.P.C. (5th) 350, 2001 CarswellOnt 2255, [2001] O.T.C. 470 (Ont. S.C.J.) — considered

MOTION by trustee for directions regarding funds marked for payment of claims in class proceedings involving company under arrangement.

D.M. Brown J.:

I. Trustee's motion for directions regarding funds for Missing Claimants

1 On September 14, 2000 this Court approved and sanctioned a plan of arrangement and compromise for the Canadian Red Cross Society. The history of that Plan of Arrangement has been described elsewhere.¹ The Plan Implementation Date was set at October 5, 2001. Section 5.05 of the Plan directed the Trustee to establish five trusts, one of which was the HCV Fund created under section 5.05(e) of the Plan to fund the settlement of the Pre-86/Post-90 HCV Class Actions. By Judgment dated June 21, 2001 Winkler J., as he then was, approved a settlement of the Ontario Pre-86/Post-90 HCV Class Action — *McCarthy v. Canadian Red Cross Society* [2001 CarswellOnt 2255 (Ont. S.C.J.)], 98-CV-143334 — and, in so doing, he approved a Distribution Protocol for the HCV Fund.²

2 By Reasons released July 6, 2011³ I extended the time for the completion of the administration of the Other Transfusion Claims Trust by one year to October 5, 2012. That extension of time affected the operation of the HCV Fund. As a result, by Reasons released August 9, 2011,⁴ I extended the Final Distribution date in the HCV Fund Distribution Protocol by one year to October 5, 2012. By Reasons released September 7, 2011 I granted the Trustee's request to fix a claims bar date for claimants against the HCV Fund.⁵

3 The Trustee now moves for directions regarding certain funds held by the Claims Administrator of the HCV Fund from cheques issued to, but not cashed by, claimants to whom the funds were sent.

II. The problem

4 Mr. Gilles Campeau, who works for the Claims Administrator, KPMG Inc., recalled, in his affidavit, the history of the HCV Fund. Back in 2001 the Trustee placed \$68 million in the Fund. Administration of the Fund began on September 30, 2001. Distributions were made to Accepted Claimants in May, 2002. A further distribution was made to Accepted Claimants and Accepted Late Claimants in December, 2004. Thereafter, claims were paid on acceptance. By January, 2006, distributions had exhausted the available funds. After that date further claims were accepted, but no compensation was paid out until 2011 when further funds became available to the HCV Fund for distribution. In December, 2011 a partial distribution was made to Accepted and Unpaid Claimants. Additional funds now have come into the HCV Fund from other funds, and the Trustee is ready to make a final distribution.

5 A question has arisen: how much money is available for distribution? The question arises because as of November 23, 2012 some 187 cheques, totaling \$500,430.00, previously issued to claimants have not been cashed. The cheques sent range from \$100 to \$10,450, with the majority for amounts between \$2,000 and \$4,000. The cheques were issued between November 26, 2004 and November 20, 2012.

6 Of these cheques, 23 amounting to \$16,446.67 were issued this past October and November. The remaining 167 cheques total \$483,983.33 (the “Unclaimed Funds” of the “Missing Claimants”). In addition to that amount, approximately \$700,000 in the Fund stands ready for distribution.

7 The Missing Claimants’ cheques all were sent to the claimant’s last address on file. Mr. Campeau deposed that throughout the administration process the Claims Administrator had informed claimants that they bore a responsibility to update their current address information.

8 Of the 164 outstanding cheques, 89 were returned to the Claims Administrator as “undeliverable”, while the other 75 cheques have not been cashed.

9 Mr. Campeau described the efforts the Claims Administrator has undertaken over the years to locate and contact the Missing Claimants. I am satisfied that those efforts were appropriate and reasonable in the circumstances.

10 So, how should the Trustee and the Claims Administrator deal with the \$483,983.33 of Unclaimed Funds for the Missing Claimants?

III. The options

11 In his affidavit Mr. Campeau outlined two options.

A. Option A: Distribute the Unclaimed Funds to Known Partially Paid Claimants

12 Option A would see the funds distributed amongst other known claimants — the Accepted and Unpaid Claimants who received a distribution in December, 2011. Mr. Campeau described them as the Partially Paid Claimants. These are claimants whose applications were approved between January, 2006 and October, 2011, the claims bar date. There are 645 such claimants.

13 Under Option A an additional \$750 would be paid to each Partially Paid Claimant. As Mr. Campeau deposed:

One benefit of this option is that it does not necessitate any further administrative efforts or costs on the part of the Claims Administrator. This option will ensure that approximately 100% of the funds are paid to eligible claimants and that they are paid out as part of the Final Distribution in the next few weeks.

14 On the down side, if the Trustee were to proceed with Option A, some risk exists that at some point in the future a Missing Claimant might contact the Claims Administrator and ask about the distribution of further funds, only to be told the

Fund had been depleted by the Final Distribution. Of course, since a Missing Claimant is one for whom the Claims Administrator lacks current contact information, no way exists to give the Missing Claimants notice of this motion.

B. Option B: Transfer the Unclaimed Funds to other organizations which will make efforts to track down the Missing Claimants

15 Option B is much more complex. It would see the Trustee transfer the Unclaimed Funds to a number of organizations which are prepared to hold these funds on behalf of the Missing Claimants and make efforts to locate the Missing Claimants.

16 According to their last known addresses, the Missing Claimants reside in Ontario (65), Quebec (24), British Columbia (20), Alberta (13), the rest of Canada (20 — New Brunswick, Manitoba, Nova Scotia, Saskatchewan and the Yukon), Texas (1), Oregon (1), Florida (1) and Virginia (1).

17 Under Option B, the Unclaimed Funds would be transferred to: (i) the Accountant of the Superior Court of Ontario who would endeavour to obtain information about last known addresses from the Ontario Health Insurance Plan; (ii) the Ministre du Revenu du Quebec ("MRQ") which would use tax filing information to locate Missing Claimants; (iii) the Office of the British Columbia Unclaimed Properties Society (the "Society") which has access to the Insurance Corporation of British Columbia and Health Care databases; (iv) the Office of the Alberta Treasury Board and Finance, Tax and Revenue Administration — Unclaimed Property which would simply post the names of local Missing Claimants on its website; (v) the Texas Comptroller of Public Accounts which, too, posts names on its website; (vi) the Florida Department of Financial Services — Bureau of Unclaimed Properties which uses databases to search for the beneficiaries of unclaimed properties; (vii) the Department of State Lands of Oregon, which uses similar techniques; and, (viii) the Office of the Treasury of Virginia which annually publishes the names of newly reported unclaimed property beneficiaries in major state newspapers.

18 If the funds are transferred to these organizations, what chance of success will they have of finding the Missing Claimants? Mr. Campeau gave the following estimates:

Ontario — 100%;

Quebec — 100% for those residing in Quebec, although the MRQ would charge a 10% administration fee. However, the Trustee proposes transferring to the MRQ Unclaimed Funds for Missing Claimants last known to live in Manitoba, New Brunswick, Nova Scotia, Saskatchewan and the Yukon (since those jurisdictions lack a beneficiary-finding organization) and the odds of the MRQ finding any of those Missing Claimants is very low since the MRQ does not possess any data for them;

British Columbia — 95%;

Alberta and Texas — 10%;

Florida, Oregon and Virginia — 50%

And if those organizations cannot locate a Missing Claimant, what will happen to that portion of the Unclaimed Funds held by that organization? Mr. Campeau deposed that: (i) Ontario and Quebec would hold the funds indefinitely for Missing Claimants; (ii) in Alberta, funds not claimed within 10 years would escheat to the Crown; and, (iii) in other jurisdictions unclaimed funds would eventually escheat to the government in that jurisdiction. However, the Trustee proposed that if after three years those organizations still held Unclaimed Funds, the balance should be paid to a charity selected by the Trustee.

19 The Trustee proposed and sought an order based on Option B.

C. Option C: a hybrid approach

20 During the course of my questioning at the motion hearing an Option C emerged under which the Trustee would transfer some of the Unclaimed Funds to the Ontario, Quebec and British Columbia organizations based on the Missing Claimants last known to reside in those three provinces, while the balance of the Unclaimed Funds would be distributed

amongst the known Partially Paid Claimants.

D. The final, unclaimed funds

21 Option A contains a low risk that some cheques delivered to Partially Paid Claimants might go uncashed. So, too, Under Option B, in the event the organizations to whom Unpaid Funds are transferred cannot locate all Missing Claimants, some unclaimed funds might remain. In those circumstances, the final, unclaimed funds would be paid to a charitable organization selected by the Trustee to benefit individuals like the claimants to the HCV Fund.

E. Positions of those attending on the motion

22 Class Counsel supported the Trustee's proposed Option B, but asked that the Trustee consult Class Counsel about the selection of the charity which would receive any final, unclaimed funds.

23 Counsel for the Trustee advised that class counsel in British Columbia and Quebec, the Ontario Public Guardian and Trustee, and the Office of the Children's Lawyer supported the Trustee's proposal.

24 Mr. Steven Adams, The Accountant of the Superior Court of Justice, filed a most helpful affidavit. I appreciate his office's willingness to assist in locating Missing Claimants. Mr. Adams deposed that it might take his office up to three years to determine if a Missing Claimant could be found, its searches would be limited to living claimants and would not include estates of deceased claimants, and he would require some direction from the Court about how any funds remaining at the end of the search process should be distributed.

IV. Analysis

25 The administration of the HCV Fund is now down to its final stages. Since the amount of the Unclaimed Funds is less than \$500,000, the proportionality between the costs and benefits of any possible solution becomes a most important factor. Simply put, no perfect solution exists. Under Option A, Missing Claimants who later appear to claim their entitlements will find the pot empty. However, those claimants had an obligation to inform the Claims Administrator of their current contact information, and they did not do so. Under Option A there would be a high degree of certainty that most of the Unclaimed Funds would end up exactly where they should — in the pockets of the victims who are members of the class. Under Option B, some Missing Claimants likely will be found, but no doubt some will not. In addition, the beneficiary-search process will take time and will be placed in the hands of third parties who are not under court supervision, as are the Trustee and Claims Administrator. As I say, there is no perfect solution.

26 I appreciate the information which the Trustee has placed before the Court. In my view the guiding principle should be to select the distribution mechanism which stands the greatest chance of placing as much as possible of the Unclaimed Funds in the pockets of class members. I conclude that Option A provides the greatest certainty of so doing. Although Option C is somewhat attractive in respect of Missing Claimants last known to reside in Ontario, Quebec and British Columbia, the passage of time since the claims process started inevitably means that some former residents of those provinces will have moved outside the province and, as well, some claimants will have died. Mr. Adams deposed that his office's search would not include deceased beneficiaries.

27 On balance, I conclude that Option A presents the best way to ensure that as much of the Unclaimed Funds will end up with class member claimants. I therefore approve the Trustee proceeding with Option A.

28 As to the Trustee's recommendation to disburse any final, unclaimed funds to a charity selected by him, I approve that course of action as long as the Trustee and Claims Administrator determine, in their sole discretion, that the cost of distributing any final, unclaimed funds to known claimants would exceed the amount of the distribution. If it would not, the final, unclaimed funds should be distributed equally to Partially Paid Claimants. I leave that decision in the hands of the Trustee in consultation with the Claims Administrator; there is no need to seek further directions from the Court on the issue. If the Trustee decides to pay the funds to a charitable organization, I would ask the Trustee to consult with Class Counsel

about the charity. However, at the end of the day the selection decision rests in the sole discretion of the Trustee.

29 The Trustee and Claims Administrator seek approval of their plan to dispose of claimant files. I grant such approval.

30 Counsel for the Trustee should prepare an order reflecting the directions which I have given in these Reasons and attend at a 9:30 appointment before me over the next few days for my issuance of the order.

Order accordingly.

Footnotes

¹ *Canadian Red Cross Society / Société Canadienne de la Croix-Rouge, Re*, [2008] O.J. No. 4114 (Ont. S.C.J.).

² Paragraph 19 to the order of Winkler J. made June 21, 2001 in Court File No. 98-CV-143334.

³ *Canadian Red Cross Society / Société Canadienne de la Croix-Rouge, Re*, 2011 ONSC 4222 (Ont. S.C.J. [Commercial List]).

⁴ *Canadian Red Cross Society / Société canadienne de la Croix-Rouge, Re*, 2011 ONSC 4754 (Ont. S.C.J. [Commercial List]).

⁵ *Canadian Red Cross Society / Société canadienne de la Croix-Rouge, Re*, 2011 ONSC 5255 (Ont. S.C.J. [Commercial List])

APPENDIX F



Crocus Investment Fund

Receiver's Report No. 21

November 8, 2023

Table of contents

1.0	Appointment	1
2.0	Terms of reference	2
3.0	Purpose	3
4.0	Background	4
5.0	Activities of the Receiver	5
6.0	Unclaimed Funds.....	6
7.0	Receiver’s Holdback.....	7
8.0	Statement of Receipts and Disbursements.....	9
9.0	Summary and Relief Sought.....	10
Appendix A – January 17, 2022 Order		
Appendix B – Statement of receipts and disbursements to October 31, 2023		
Appendix C – Receiver’s Certificate		

1.0 Appointment

On June 28, 2005 (the "**Date of Receivership**"), pursuant to an application made by the Manitoba Securities Commission ("**MSC**") under Section 27 of *The Securities Act*, the Court of Queen's Bench of Manitoba (the "**Court**") made an Order (the "**Receiving Order**") appointing Deloitte Restructuring Inc. (formerly Deloitte & Touche Inc., hereafter referred to as "**Deloitte**" or the "**Receiver**") as Receiver and Manager of the Crocus Investment Fund ("**Crocus**" or the "**Fund**"). The Receiving Order appointed Deloitte as Receiver over all of Crocus' current and future assets, undertakings and properties and granted the Receiver powers to carry out its duties as outlined in the Receiving Order.

2.0 Terms of reference

The financial information herein has not been audited and therefore the Receiver does not express any opinion on (a) the financial statements as of any date or for any period or (b) any financial data or other information referred to in Receiver's Report No. 21 ("**Report No. 21**"). The reader is cautioned that Report No. 21 may not disclose all matters and details about the Receivership proceedings. The Receiver assumes no responsibility or liability for any loss or damage occasioned by any party as a result of the circulation, publication, reproduction or use of Report No. 21. Any use which any party makes of Report No. 21, or any reliance or decision to be made based on Report No. 21, is the sole responsibility of such party.

Unless otherwise stated, all monetary amounts contained in Report No. 21 are expressed in Canadian dollars. Capitalized terms used in Report No. 21 but not defined herein are as defined in Receiver's Reports previously filed in these proceedings.

3.0 Purpose

The purpose of Report No. 21 is to:

- Report on the activities of the Receiver as well as to provide an update on the financial position of the Fund since the filing of Receiver's Report No. 20 on February 28, 2022 ("**Report No. 20**"); and
- Pass the accounts of the Receiver and its legal counsel in accordance with paragraph 18 of the Receiving Order.

As detailed in Receiver's Report No. 19 ("**Report No. 19**") dated January 6, 2022, the Receiver previously sought approval of its fees and disbursements, including those of its legal counsel, for the period April 1, 2016 to December 31, 2021, in addition to the estimated fees included in the Receiver's Holdback (as defined in Report No. 19). Report No. 21 will provide the Court with further details relating to the usage of the Receiver's Holdback, and will provide support for the additional fees being requested by the Receiver to conclude the receivership proceedings.

4.0 Background

Crocus was a Labour-Sponsored Venture Capital Corporation (formerly referred to as a Labour Sponsored Investment Fund or LSIF). The Fund was created with the enactment of *The Manitoba Employee Ownership Fund Corporation Act, C.C.S.M. c. E95* (the "**Act**"). The purpose of the Act was to facilitate the raising of venture capital through the sale of common shares of the Fund. The proceeds from the sale of shares were intended to be invested in eligible Manitoba businesses. The name of the Act was subsequently changed to *The Crocus Investment Fund Act* ("**The Crocus Act**") by virtue of Part 2 of *The Labour-Sponsored Investment Funds (Various Acts Amended) Act, C.C.S.M. c. C308*.

Common shares of the Fund ("**Common Shares**" or "**Class A Shares**") were available for purchase by individuals, with the purchase of shares generally being made through Registered Retirement Savings Plans ("**RRSP**"). Purchasers of Class A Shares were in most cases entitled to certain Provincial and Federal tax credits. The Fund offered shares for purchase between 1992 and December 2004, at which time the trading of the shares was halted.

The capitalization of the Fund as at the Date of Receivership was as follows:

- 200,000 Class G Shares issued for \$2.0 million held by the Province of Manitoba;
- 20 Class L Shares issued for \$200 held by the Manitoba Federation of Labour;
- 69,126 Series Two Class I Shares issued for \$800,145 held by three (3) different institutional shareholders; and
- 14,220,000 Class A Shares issued for \$185,214,324 held by 33,569 individual shareholders.

The Court has previously authorized the following four (4) distributions (collectively, the "**Distributions**"):

- September 4, 2009 - a rateable interim distribution to Class A and Class I shareholders of approximately \$54.7 million, along with approximately \$6.8 million in class action settlement ("**Class Action**") proceeds (the "**First Distribution**"). Additionally, the Court also approved the redemption of the Class L shares;
- December 12, 2011 - a rateable interim distribution to Class A and Class I shareholders for approximately \$9.0 million (the "**Second Distribution**");
- October 22, 2014 - a rateable interim distribution to Class A and Class I shareholders for approximately \$8.6 million, along with approximately \$0.7 million in Class Action proceeds (the "**Third Distribution**"); and
- January 17, 2022 - a rateable interim distribution to Class A and Class I shareholders for approximately \$5.2 million (the "**Final Distribution**").

5.0 Activities of the Receiver

Since the filing of Report No. 20, the Receiver has engaged in the following activities:

- Prepared and filed three (3) quarterly reports as at March 31, 2022, June 30, 2022, and September 30, 2022;
- Prepared various shareholder correspondence, validated the shareholder database, and developed and tested the Final Distribution processing system;
- Administered the Distributions;
- Maintained and facilitated updates to the shareholder database;
- Addressed various shareholder and dealer inquiries and processing requests;
- Completed final reporting requirements with Concentra Trust, the bare trustee of the Crocus specimen plan;
- Terminated contractual arrangements with Concentra Trust, FundSERV, and Prometa Fund Support Services Inc. (the Receiver's back office service provider);
- Corresponded with the Manitoba Minister of Finance (the "**Minister of Finance**") and remitted all unclaimed shareholder entitlements to the Minister of Finance;
- Prepared and issued tax slips to shareholders and completed tax reporting to Canada Revenue Agency ("**CRA**");
- Compiled statutory tax filings; and
- Maintained the Receiver's website at www.deloitte.com/ca/crocusfund (the "**Receiver's Website**"), ensuring the shareholders remained apprised of the status of the receivership proceedings.

6.0 Unclaimed Funds

As detailed in Report No. 19, and as approved by the January 17, 2022 Court Order (the "**January 17, 2022 Order**"), attached hereto as Appendix A, the Receiver commenced the Final Distribution in March 2022, and enabled shareholders to claim their respective pro-rata entitlement(s) to any prior Distributions until September 30, 2022 (the "**Final Distribution Period**").

At the conclusion of the Final Distribution Period, the Receiver ceased processing further shareholder distribution requests, and allowed all outstanding cheques a further thirty-one (31) day period to be cashed. On November 1, 2022, the Receiver cancelled all outstanding cheques and deregistered all accounts with a registered tax deferred status (i.e. RRSP or similar) (the "**Registered Accounts**"). On November 15, 2022, the Receiver remitted unclaimed funds of approximately \$2.6 million (the "**Unclaimed Funds**") to the Minister of Finance (net of withholding tax remitted to CRA), as detailed in the table below:

Unclaimed Distributions - Minister of Finance

Distribution	# of shareholders	Amount	Minimum \$ per any one shareholder	Maximum \$ per any one shareholder
First Distribution	1,152	\$ 874,042	5.01	11,196.15
Second Distribution	2,360	317,174	0.70	1,855.50
Third Distribution	3,472	535,839	2.16	1,964.14
Final Distribution	8,038	852,032	0.65	2,058.31
Total	15,022	\$ 2,579,088		

Along with the Unclaimed Funds, the Receiver provided the Minister of Finance with a comprehensive list of shareholders that detailed their respective entitlements.

As noted above, prior to the remittance of the Unclaimed Funds to the Minister of Finance, it was necessary for the Receiver to deregister all Registered Accounts with Unclaimed Funds. As a result, any shareholder with Unclaimed Funds in one or more Registered Accounts received a tax slip in 2022 (the "**2022 Tax Slips**"), requiring the shareholder to report the Unclaimed Funds as income on their personal tax filing in 2022.

As at the date of Report No. 21, the Receiver has corresponded directly with hundreds of shareholders with entitlements to the Unclaimed Funds, primarily resulting from the issuance of the 2022 Tax Slips, and has provided shareholders with the necessary contact information for the Minister of Finance from the Receiver's Website. The Receiver understands that the process for payment of the Unclaimed Funds by the Minister of Finance to the Crocus shareholders is operating as expected, and the Receiver has not been notified of any issues in respect of same.

7.0 Receiver's Holdback

The January 17, 2022 Order authorized the Receiver to holdback \$650,000 (the "**Receiver's Holdback**") to complete the administration of the receivership proceedings. Detailed in the table below is a summary of the usage of the Receiver's Holdback:

Crocus Investment Fund Receiver's Holdback Usage				
	Estimate	Actual	Variance	Notes
Advertising	10,000	8,615	1,385	
Back office services	126,000	144,503	(18,503)	(1)
Bare trustee costs	9,000	9,975	(975)	
Legal fees and disbursements (inclusive of taxes)	72,800	25,261	47,539	(2)
Office and mailing costs	96,700	101,097	(4,397)	
Receiver fees and disbursements (inclusive of taxes)	284,813	339,928	(55,115)	(3)
Transaction fees	27,000	17,055	9,945	
Contingency	23,687	(41,267)	64,954	(4)
Receiver's Holdback	\$ 650,000	\$ 605,167	\$ 44,833	

Notes:

(1) Additional months cost for the Receiver's back office service provider (Prometa Fund Support Services).

(2) Legal fees were less than estimated.

(3) Composition of hours incurred by the Receiver varied from the estimated allocation:

	Est. Hrs.	Actual Hrs.	Actual Rate	Total
Partner	225	383	500	191,650
Senior Manager	200	233	400	93,080
Senior Associate	350	160	243	39,011
Subtotal	775	776		323,741
GST				16,187
Total				339,928

(4) Favourable variance primarily resulting from payment of management fees on the dissolution of MS&T in February 2022 and interest income earned on funds held in trust as summarized below:

Bank fees	4,911
CRA	2,735
Distribution cheque stock	4,304
GST refund	(601)
Interest	(42,755)
Other	(1,890)
MS&T Management Fees	(7,972)
Total	(41,267)

The January 17, 2022 Order approved the Receiver's fees, and the fees of the Receiver's legal counsel, for the period April 1, 2016 to December 31, 2021, and further approved the Receiver's Holdback.

As the Receiver's fees exceeded the estimated fees included in the Receiver's Holdback, the Receiver is seeking Court approval of its additional fees incurred as at the date of this Report No. 21 in the amount of \$55,115 (inclusive of GST) (the "**Additional Fees and Disbursements**") as detailed below:

	Hours	Estimated Rate	Total	Hours	Actual Rate	Total	Hours	Variance Rate	Total
Partner	225	500	112,500	383	500	191,650	(158)	-	(79,150)
Senior Manager	200	400	80,000	233	400	93,080	(33)	-	(13,080)
Senior Associate	350	225	78,750	160	243	39,011	190	(18)	39,739
Subtotal	775	1,125	271,250	776	1,143	323,741	(1)	(18)	(52,491)
GST			13,563			16,187			(2,625)
Total			284,813	776	1,143	339,928	(1)	(18)	(55,115)

The Receiver is further requesting that the Court approve a final holdback of \$20,000 (the "**Final Holdback**"), for the Receiver and its legal counsel to attend the November 23, 2023 hearing, and to finalize the receivership proceedings.

The fees charged by the Receiver are based on the amount of professional time required at hourly billing rates, which vary depending upon the experience, level, and location of the professionals involved. The rates charged by the Receiver are comparable to the rates charged for the provision of services by other professional firms providing specialized financial advisory and restructuring services and the fees are fair and reasonable in the circumstances. Furthermore, the fees have been validly incurred in accordance with the provisions of the Receiving Order.

8.0 Statement of Receipts and Disbursements

The Receiver has prepared a Final Statement of Receipts and Disbursements, attached hereto as Appendix B. As detailed therein, the Receiver is holding approximately \$44,833 in trust (the "**Residual Trust Funds**") after the remittance of all Unclaimed Funds to the Minister of Finance. The Receiver respectfully requests that this Honourable Court approve of the final disposition of the Residual Funds as follows: the Final Holdback to be retained by the Receiver and its legal counsel to conclude these proceedings; and \$24,833 to be remitted to the Minister of Finance.

9.0 Summary and Relief Sought

As the January 17, 2022 Order provided for the Receiver's discharge upon the filing of a Receiver's Certificate, attached hereto as Appendix C is the Receiver's Certificate dated September 30, 2023. The Receiver brings to the attention of the Court that although the Receiver's Certificate indicates that the Unclaimed Funds were to be remitted to the Minister of Finance subsequent to the filing of the Receiver's Certificate in paragraph 1(d), the Receiver remitted the Unclaimed Funds to the Minister of Finance on November 15, 2022, and executed the Receiver's Certificate on September 30, 2023 once the shareholder enquiries subsided and to coincide with Crocus' fiscal year end.

The Receiver is seeking final approval of its Additional Fees and Disbursements and the disposition of the Residual Trust Funds.

All of which is respectfully submitted at Winnipeg, Manitoba, this 8th day of November, 2023.

DELOITTE RESTRUCTURING INC., in
its capacity as Receiver and Manager of
Crocus Investment Fund and not in its
personal capacity.



Per: Brent Warga, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix A – January 17, 2022 Order

**THE QUEEN'S BENCH
WINNIPEG CENTRE**

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

applicant,

- and -

CROCUS INVESTMENT FUND,

respondent.

ORDER

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**THE QUEEN'S BENCH
WINNIPEG CENTRE**

THE HONOURABLE

Monday, the 17th day of January, 2022

MR. JUSTICE KROFT

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

applicant,

- and -

CROCUS INVESTMENT FUND

respondent.

ORDER

THIS MOTION, made by Deloitte Restructuring Inc., in its capacity as the Court appointed Receiver and Manager (the "Receiver") of the respondent Crocus Investment Fund ("Crocus") was heard this day at the Law Courts, 408 York Avenue, in the City of Winnipeg.

ON READING Receiver's Report No. 19 and the Affidavit of Donald Gordon Douglas sworn January 10, 2022 and on hearing the submissions of counsel for the applicant and respondent, no one appearing for any other person.

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

2. THIS COURT ORDERS that all activities, actions and proposed courses of action of the Receiver and its counsel up to and including December 31, 2021 in relation to the discharge of the Receiver's duties and the Receiver's mandate pursuant to the Orders of the Court in these proceedings, as such actions of the Receiver and its counsel are more particularly described in Receiver's Report No. 19 ("Report No. 19") dated January 6, 2022 and filed herein are hereby approved;

3. THIS COURT ORDERS that the accounts of the Receiver, including all fees and disbursements, and those of its counsel for the period from April 1, 2016 up to and including December 31, 2021 as more particularly described in Report No. 19 are hereby assessed and approved;

4. THIS COURT ORDERS that the Receiver's Statement of Receipts and Disbursements for the period from April 1, 2016 to December 31, 2021 as the same is included in and forms part of Appendix A to Report No. 19 is hereby approved;

5. THIS COURT ORDERS that the Receiver is hereby authorized and directed to make a fourth and final distribution (the "Final Distribution") of the proceeds of the within receivership in the sum of \$5,203,309 amongst Class A and Class I shareholders in accordance with the provisions of Report No. 19;

6. THIS COURT ORDERS that the Receiver is hereby authorized to retain the Receiver's Holdback (as defined in Report No. 19) and to apply from time to

time the amounts so held back against such further fees and disbursements as may be incurred without the requirement of taxation or passing of accounts;

7. THIS COURT ORDERS that the form of Notice to Shareholders that is attached as Appendix B to Report No. 19, or a form of Notice to Shareholders substantially similar thereto, is hereby approved;

8. THIS COURT ORDERS that, if on or before February 25, 2022, the Receiver receives any objections pursuant to the form of Notice to Shareholders referred to in paragraph 7 hereof that are not resolved, the Receiver will advise the Court and seek the advice and direction of the Court thereon.

9. THIS COURT ORDERS that, pursuant to section 27(4) of *The Securities Act*, C.C.S.M. c. S50, the Receiver is hereby directed to wind-up the business and affairs of Crocus and, upon the filing in the Court Registry by the Receiver of a certificate substantially in the form attached as Schedule A hereto (the "**Receiver's Certificate**"), pursuant to section 210 of *The Corporations Act*, C.C.S.M. c. C225, Crocus shall be dissolved as of the date specified in the Receiver's Certificate;

10. THIS COURT ORDERS that, subject to the dissolution of Crocus, the Receiver is hereby directed pursuant to section 220 of *The Corporations Act*, C.C.S.M. c. C225 to pay to the Minister of Finance any of the funds authorized to be paid to Class A and Class I shareholders of Crocus pursuant to the four distributions authorized by the Court in these proceedings which remain unclaimed in the hands of the Receiver as soon as is reasonably possible

following the filing in the Court Registry by the Receiver of the Receiver's Certificate;

11. THIS COURT ORDERS that, subject to the proviso which follows, upon the filing in the Court Registry of the Receiver's Certificate, the Receiver shall be discharged as Receiver and Manager of Crocus including any and all liability incurred in connection with its having acted as such, save and except for any liability arising out of gross negligence or willful misconduct on the part of the Receiver; provided that, notwithstanding such discharge:

- (a) the Receiver shall remain as Receiver for the performance of such routine administrative tasks as may be required to complete the administration of these proceedings;
- (b) the Receiver shall continue to have the benefit of the provisions of all Orders made in these proceedings, including all approvals, protections and stays of proceedings in favour of Deloitte

Restructuring Inc. in its capacity as Receiver.

Dated JAN. 25, 2022

"D. KROFT"

Kroft, J.

APPROVED AS TO FORM AND CONTENT:

THE MANITOBA SECURITIES COMMISSION

Per: 

Chris Besko, Director and General Counsel – Securities

SCHEDULE A
FORM OF RECEIVER'S CERTIFICATE

**THE QUEEN'S BENCH
WINNIPEG CENTRE**

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

applicant,

- and -

CROCUS INVESTMENT FUND

respondent.

RECEIVER'S CERTIFICATE

I, BRENT WARGA, Senior Vice-President of Deloitte Restructuring Inc. (the "Receiver"), the Receiver and Manager of Crocus Investment Fund ("Crocus"), its having been appointed as such pursuant to the Order of The Honourable Mr. Justice Scurfield made June 28, 2005 in Court of Queen's Bench File No. CI05-01-43350:

DO HEREBY CERTIFY AS FOLLOWS:

1. On January 17, 2022 The Honourable Mr. Justice Kroft of the Court of Queen's Bench granted an Order which, among other things,
 - (a) authorized and directed the Receiver to make a fourth and final distribution (the "Final Distribution") of the proceeds of the within receivership in the sum of \$5,203,309 amongst Class A and Class I shareholders in accordance with the provisions of Receiver's Report No. 19 dated January 6, 2022 ("Report No. 19");
 - (b) approved the form of Notice to Shareholders that was attached as Appendix B to Report No. 19 or a form of Notice to Shareholders substantially similar thereto;
 - (c) pursuant to section 27(4) of *The Securities Act*, C.C.S.M. c. S50, directed the Receiver to wind-up the business and affairs of Crocus and, upon the filing in the Court Registry by the Receiver of this Certificate, pursuant to section 210 of *The Corporations Act*, C.C.S.M. c. C225, ordered Crocus to be dissolved as of the date specified in this Receiver's Certificate; and
 - (d) subject to the dissolution of Crocus, pursuant to section 220 of *The Corporations Act*, C.C.S.M. c. C225 directed the Receiver to pay to the

Minister of Finance any of the funds authorized to be paid to Class A and Class I shareholders of Crocus pursuant to the four distributions authorized by the Court in these proceedings which remained unclaimed in the hands of the Receiver as soon as is reasonably possible following the filing in the Court Registry by the Receiver of the Receiver's Certificate.

2. On January 22, 2022 the form of Notice to Shareholders that is attached hereto as Appendix A was published in the Winnipeg Free Press and The Globe and Mail and it advised that any objection to the Final Distribution, the passing of the Receiver's accounts, and the Receiver's discharge must be received by the Receiver in writing on or before February 25, 2022.
3. No objection in writing to the Final Distribution, the passing of the Receiver's accounts, and the Receiver's discharge was received by the Receiver on or before February 25, 2022. The Receiver advised the Court by way of Receiver's Report No. 20 ("Report No. 20") that no objections had been received and it immediately commenced the Final Distribution.

OR

The following objections in writing were received by the Receiver on or before February 25, 2022 and the Receiver advised the Court thereof by way of Report No. 20, which provided its advice and direction as follows:

(provide details of objections and their resolution)

4. No objections having been received (or any objections that were received having been resolved) the Receiver commenced the Final Distribution during the week of March 7, 2022 (or such later date as the case may be).
5. Of the sum of \$5,203,309 that made up the Final Distribution, as of the date of this Receiver's Certificate, cheques remaining uncashed (the "Final Distribution Unclaimed Funds") total the sum of \$
6. As of the date of this Receiver's Certificate, the total amount of unclaimed distributions from all four distributions (the "Unclaimed Distributions") is as follows:

Unclaimed Distributions

Distribution	No. of Shareholders	Amount	Minimum amount for any Holder	Maximum amount for any Holder
First				
Second				
Third				
Fourth (Final)				

Total

7. Having completed the liquidation of Crocus and having distributed all of the net proceeds of liquidation with the exception of the Unclaimed Distributions, the effective date of the dissolution of Crocus shall be _____.

Dated

BRENT WARGA, CPA, CA, CIRP, LIT
Senior Vice-President

Appendix B – Statement of receipts and disbursements to October 31, 2023

**Deloitte Restructuring Inc., Receiver and Manager of
CROCUS INVESTMENT FUND
Statement of Receipts and Disbursements
December 31, 2021 to October 31, 2023**

Funds Held in Trust as at December 31, 2021 (Report No. 19)	\$	7,838,355
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Receipts

Distribution on Windup of Manitoba Science & Technology Fund	7,972
GST Refund	601
Interest	42,755
Miscellaneous Receipts	1,889

Total Receipts	53,217
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Disbursements

Advertising	8,615
Bank Fees	4,911
Bare Trustee Fees (Concentra)	9,975
Canada Revenue Agency Remittance	2,735
Distribution Cheques	4,304
Distribution Mailing (Dycom)	101,097
Legal Fees and Disbursements (inclusive of GST)	25,261
IT Support (Fundserv)	17,055
Miscellaneous disbursements	-
Receiver and Manager Fees (inclusive of GST)	339,927
Shareholder Services (Prometa Fund Services)	144,503

Total Disbursements	658,383
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Distributions to Shareholders	4,609,267
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Remittance of Unclaimed Distributions to the Manitoba Minister of Finance

Distribution #1	874,042
Distribution #2	317,174
Distribution #3	535,839
Distribution #4	852,032

Total Remittances to the Manitoba Minister of Finance	2,579,088
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Funds Held in Trust as at October 31, 2023	\$	44,833
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Proposed Distributions

Final Holdback	20,000
Final Remittance to the Manitoba Minister of Finance	24,833

	\$	44,833
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Appendix C – Receiver's Certificate

FORM OF RECEIVER'S CERTIFICATE

THE KING'S BENCH WINNIPEG CENTRE

BETWEEN:

THE MANITOBA SECURITIES COMMISSION,

applicant,

- and -

CROCUS INVESTMENT FUND

respondent.

RECEIVER'S CERTIFICATE

I, BRENT WARGA, Senior Vice-President of Deloitte Restructuring Inc. (the "Receiver"), the Receiver and Manager of Crocus Investment Fund ("Crocus"), its having been appointed as such pursuant to the Order of The Honourable Mr. Justice Scurfield made June 28, 2005 in Court of King's Bench File No. CI05-01-43350:

DO HEREBY CERTIFY AS FOLLOWS:

1. On January 17, 2022 The Honourable Mr. Justice Kroft of the Court of King's Bench granted an Order which, among other things,
 - (a) authorized and directed the Receiver to make a fourth and final distribution (the "Final Distribution") of the proceeds of the within receivership in the sum of \$5,203,309 amongst Class A and Class I shareholders in accordance with the provisions of Receiver's Report No. 19 dated January 6, 2022 ("Report No. 19");
 - (b) approved the form of Notice to Shareholders that was attached as Appendix B to Report No. 19 or a form of Notice to Shareholders substantially similar thereto;
 - (c) pursuant to section 27(4) of *The Securities Act*, C.C.S.M. c. S50, directed the Receiver to wind-up the business and affairs of Crocus and, upon the filing in the Court Registry by the Receiver of this Certificate, pursuant to section 210 of *The Corporations Act*, C.C.S.M. c. C225, ordered Crocus to be dissolved as of the date specified in this Receiver's Certificate; and
 - (d) subject to the dissolution of Crocus, pursuant to section 220 of *The Corporations Act*, C.C.S.M. c. C225 directed the Receiver to pay to the Minister of Finance any of the funds authorized to be paid to Class A and Class I shareholders of Crocus pursuant to the four distributions

authorized by the Court in these proceedings which remained unclaimed in the hands of the Receiver as soon as is reasonably possible following the filing in the Court Registry by the Receiver of the Receiver's Certificate.

2. On January 22, 2022 the form of Notice to Shareholders that is attached hereto as Appendix A was published in the Winnipeg Free Press and The Globe and Mail and it advised that any objection to the Final Distribution, the passing of the Receiver's accounts, and the Receiver's discharge must be received by the Receiver in writing on or before February 25, 2022.
3. No objection in writing to the Final Distribution, the passing of the Receiver's accounts, and the Receiver's discharge was received by the Receiver on or before February 25, 2022. The Receiver advised the Court by way of Receiver's Report No. 20 ("Report No. 20") that no objections had been received and it immediately commenced the Final Distribution.
4. No objections having been received (or any objections that were received having been resolved) the Receiver commenced the Final Distribution during the week of March 14, 2022.
5. Of the sum of \$5,203,309 that made up the Final Distribution, as of the date of this Receiver's Certificate, cheques remaining uncashed (the "Final Distribution Unclaimed Funds") total the sum of \$852,032.
6. As of the date of this Receiver's Certificate, the total amount of unclaimed distributions from all four distributions (the "Unclaimed Distributions") is as follows:

Unclaimed Distributions - Minister of Finance

Distribution	# of shareholders	Amount	Minimum \$ per any one shareholder	Maximum \$ per any one shareholder
First Distribution	1,152	\$ 874,042	5.01	11,196.15
Second Distribution	2,360	317,174	0.70	1,855.50
Third Distribution	3,472	535,839	2.16	1,964.14
Final Distribution	8,038	852,032	0.65	2,058.31
Total	15,022	\$ 2,579,088		

7. Having completed the liquidation of Crocus and having distributed all of the net proceeds of liquidation, the effective date of the dissolution of Crocus shall be September 30, 2023.

Dated September 30, 2023


BRENT WARGA, CPA, CA, CIRP, LIT
Senior Vice-President



www.deloitte.ca

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IN THE MATTER OF THE APPLICATION UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36, AS AMENDED AND IN THE MATTER OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, C. C-43 AND IN THE MATTER OF THE PLANS OF COMPROMISE OR ARRANGEMENT OF GANDALF TECHNOLOGIES INC. AND GANDALF CANADA LTD.

Applicant

Email addresses for parties served:

Catherine Hristow christow@deloitte.ca

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at **Ottawa**

CASE CONFERENCE BRIEF OF THE APPLICANTS
(Returnable July 10, 2024)

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Counsel for Deloitte Restructuring Inc., the
Court Appointed Monitor of the Applicant