

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF  
PV LABS INC.  
OF THE CITY OF BURLINGTON,  
IN THE REGIONAL MUNICIPALITY OF HALTON,  
IN THE PROVINCE OF ONTARIO.

SECOND REPORT OF THE PROPOSAL TRUSTEE  
MARCH 23, 2017

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## INTRODUCTION

1. On January 27, 2017, PV Labs Inc. (“PVL” or the “Company”) filed a Notice of Intention to Make Proposal (“NOI”) under the *Bankruptcy and Insolvency Act* (Canada) (“BIA”). BDO Canada Limited was named as the Proposal Trustee (“Proposal Trustee”) in the proposal proceedings (“Proposal Proceedings”). A copy of the Certificate of Filing of a Notice of Intention to Make a Proposal dated January 27, 2017 is attached hereto as **Appendix ‘A’**.
2. PVL is a corporation incorporated pursuant to the *Business Corporations Act* (Ontario) which designs and develops turnkey aerial imaging systems for the (a) cinema, (b) intelligence, surveillance, reconnaissance, and (c) aerial survey markets. PVL currently employs 31 individuals, of which 19 are engineers, and operates out of a leased facility located in Burlington, Ontario.
3. On February 2, 2017, the Company sought and obtained an order granted by the Honourable Madam Justice Conway (“SISP Order”) authorizing, among other things, the following:
  - a) Implementation of the Sales and Investor Solicitation Process (“SISP”) (as defined therein and described in detail in the first report of the Proposal Trustee, dated January 27, 2017 (the “First Report”)), together with the authorization for the Proposal Trustee to carry out the SISP and take such incidental steps as it considers necessary or desirable in the circumstances to complete the SISP;
  - b) A \$200,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “Administration Charge”) in favour of the Proposal Trustee, the Proposal Trustee’s legal counsel, Pallett Valo LLP (“Pallett Valo”), and the Company’s legal counsel, Chaitons LLP (“Chaitons”, and together with the Proposal Trustee and Pallett Valo, the “Professional Group”) to secure payment of their professional fees and disbursements;
  - c) The Company to enter into arrangements with 902878 Ontario Limited (“902”) to obtain financing of up to \$1,500,000 (the “DIP Facility”) to facilitate the

continued operations of the Company during these proceedings and approving a \$1,500,000 priority charge over all of the Company's assets, undertakings and property (the "DIP Charge") in favour of 902 to secure repayment of the financing; and

- d) An extension of the stay of proceedings and the time by which to file a proposal in accordance with the provisions of the BIA from February 26, 2017 to April 12, 2017.

A copy of the SISP Order is attached as **Appendix 'B'**.

- 4. In support of the SISP Order, the Proposal Trustee filed its First Report, a copy of which is attached hereto (without appendices) as **Appendix 'C'**.
- 5. This is the second report of the Proposal Trustee ("**Second Report**") to be filed in the Proposal Proceedings. The purpose of this Second Report is to:
  - a) Provide this Court with information regarding:
    - (i) The activities of the Proposal Trustee;
    - (ii) An update on the status of the SISP; and
  - b) Support the Company's request for an order which:
    - (i) Approves the Asset Purchase Agreement (the "**Sale Agreement**") between the Company and 902878 Ontario Limited (the "**Purchaser**") for the sale of all of the assets and operations of the Company as contemplated therein;
    - (ii) Authorizes and directs the Company and the Proposal Trustee to execute and carry out the terms of the Sale Agreement;
    - (iii) Vests title to the Purchased Assets in and to the Purchaser upon closing of the transaction contemplated in the Sale Agreement;
    - (iv) Authorizes and directs the Proposal Trustee to redact from the version of this Second Report served upon any party other than the Court the Confidential Appendices '1' through '3';

- (v) Approves the First Report and this Second Report and the conduct and activities of the Proposal Trustee described therein;
  - (vi) Approves the professional fees of the Proposal Trustee and its counsel, Pallett Valo LLP, including the Fee Accrual; and
  - (vii) Orders that the Confidential Appendices to this Second Report be sealed.
6. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company's financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this Second Report is based on assumptions formulated by the Company's representatives regarding future events; actual results achieved may vary from this information and these variations may be material.

## ACTIVITIES OF THE PROPOSAL TRUSTEE

### Updates to Creditors

7. The Proposal Trustee notified PVL's creditors that information regarding the proceedings can be accessed at the website, [www.extranets.bdo.ca/pvlabs](http://www.extranets.bdo.ca/pvlabs). The Proposal Trustee has posted the First Report, the SISP Order and related court documents on its website.
8. As well, the Proposal Trustee has provided various informal updates to Business Development Bank of Canada ("BDC"), the Company's senior secured creditor, and its counsel on the restructuring efforts and results of the SISP.
9. The Proposal Trustee has fielded numerous creditor calls regarding these Proposal Proceedings, the claims of creditors, the sales process and the form of a potential proposal to be filed.

### Monitoring Receipts and Disbursements

10. The Proposal Trustee arranged a reporting and monitoring process with management, including reviewing all cash-flow and financial reporting and receipts and disbursements of the Company on a weekly basis.
11. The Proposal Trustee reviews all cash-flow and financial reporting prepared by management of the Company. The Monitor also reviews daily receipts and disbursements.

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12. PVL's actual cash-flow from operations for the seven weeks ending March 17, 2017, including a comparison to the forecasted amounts for that period, is summarized as follows:

	For the 7 weeks to March 17, 2017		
	FORECAST	ACTUAL	VARIANCE
			Positive/ (Negative)
<b>RECEIPTS</b>			
Accounts Receivable - existing	\$ 331,765	\$ 224,324	\$ (107,441)
Accounts Receivable - New orders	375,000	-	(375,000)
Travel Reimbursement		33,923	33,923
Interim Financing - DIP	-	1,000,000	1,000,000
HST Refund	11,512	23,191	11,679
Misc. Receipts	-	332	332
Transfer from USD Account	-	355,862	355,862
	<b>718,277</b>	<b>1,637,631</b>	<b>919,354</b>
<b>DISBURSEMENTS</b>			
Payroll	(517,544)	(510,346)	7,198
RRSP	(65,000)	(49,470)	15,530
Material Purchases - existing orders	(52,178)	(69,654)	(17,476)
Material Purchases - NEW orders	(80,500)	(29,573)	50,927
U.S. employee	(29,500)	(13,761)	15,739
Health benefits	(20,116)	(20,118)	(2)
Facility and Insurance	(50,499)	(26,585)	23,914
Professional fees	(66,550)	(51,499)	15,051
Leases	(11,749)	(19,920)	(8,171)
Royal Bank of Canada - Loan repayment	-	(395,000)	(395,000)
Royal Bank of Canada - VISA Deposit	-	(59,749)	(59,749)
Travel & misc	(18,500)	(50,968)	(32,468)
	<b>\$ (912,136)</b>	<b>\$ (1,296,642)</b>	<b>\$ (384,506)</b>
<b>Net Change</b>	<b>(193,859)</b>	<b>340,989</b>	



13. The significant items contributing to the variances were as follows:

- a) The assumptions relating to the procurement of post NOI filing contracts have not come to fruition. The Company has secured post NOI filing contracts, however, receipt of one contract has been delayed due to the uncertainty inherent in these Proposal Proceedings, resulting in reduced receipts;
- b) Management has reduced material purchases for new orders accordingly;
- c) The Company's forecast considered cash in bank as a direct offset against the Royal Bank of Canada ("RBC") secured operating facility. Actual disbursements include the repayment of the RBC secured facility of approximately \$395,000 from the transfer of cash from the USD bank account and DIP Facility. The Company's original forecast assumed continuing to use the RBC facility to finance operations. Also, deposits were paid to RBC to secure new Visa facilities and to secure chargebacks for a limited time period;
- d) Payment, in the form of a deposit to RBC, of approximately \$60,000 to be held on account for the use of business VISA credit cards; and
- e) The increased travel costs were reimbursed by a prospective customer, as per the arrangement between the Company and the prospective customer. The Company received \$24,810 USD in funding from the prospective customer to allow the PVL management team to attend meetings. The \$24,810 USD funded converted to \$33,923 reflected in the receipts using the noon exchange rate of the day of receipt.

14. The Company's cash flows evidence there is sufficient cash to the proposed closing date to maintain the Company's operations.

**Update on Status of the SISP and Asset Purchase Agreement**

15. The SISP as approved by this Court is designed to be completed by the middle of April 2017. The proposed timeline (subject to reasonable adjustment) was as follows:

Distribution Date for Teaser..... February 3, 2017

Suggested deadline for receipt of LOIs.....	February 22, 2017
Deadline for receipt of an Asset Purchase Agreement.....	March 8, 2017
Deadline for negotiations with a bidder and execution of the Agreement.....	March 15, 2017
Transaction approval hearing at court.....	March 29, 2017
Closing of approved transaction.....	April 14, 2017

16. In accordance with the SISP and above timeline, the Proposal Trustee, with the assistance of the Company’s management, completed the following:

- Finalized a list comprising 40 potential bidders to approach regarding the opportunity to purchase or invest in the Company’s business. Included in the list were a number of potentially interested parties provided by PV Labs Capital Corporation, a secured creditor of the Company;
- Prepared and distributed a “teaser” to the target list of 40 potential bidders setting out the purchase opportunity to be delivered to potential bidders to elicit interest;
- Distributed the “teaser” internally to approximately 482 partners of BDO Canada LLP;
- Prepared a confidentiality agreement (the “CA”) which potential bidders are required to execute in order to receive confidential information regarding the purchase or investment opportunity;
- Prepared a confidential information memorandum (the “CIM”) which provides a concise summary of the Company’s assets and operations and which allows potential bidders to assess the Company’s financial and operating situation and the purchase or investment opportunity;

- Published an advertisement in the national edition of The Globe and Mail on February 9, 2017 to canvas further interested parties, all of whom would be added to the list of potential bidders;
  - Prepared a comprehensive electronic data room (the “Data Room”) that includes relevant financial, operational and corporate data that would reasonably be required by a potential bidder in the due diligence process; and
  - Site tours in connection with the due diligence stage of the SISP.
17. The Proposal Trustee has been in contact, in one form or another, with 45 parties identified through the target list compiled or the BDO Canada LLP partner network. A total of 10 parties executed the CA and received a copy of the CIM.
  18. The Proposal Trustee received 4 non-binding letters of intent (“LOI”), by the original February 22, 2017 deadline, outlining proposed offers from interested parties’ as well as any conditions or factors which would affect their offers. A fifth LOI was received subsequent to the February 22, 2017 deadline, discussed further below. The Proposal Trustee was satisfied with the submissions by the parties and provided each of them with access to the Data Room so that the parties could further conduct their due diligence. A summary of the LOIs received is attached as **Confidential Appendix ‘1’**.
  19. One of the interested parties requested an extension of the aforesaid deadline on the basis that being a publicly traded foreign entity they had to follow certain protocol and obtain necessary approvals and, accordingly, had been delayed in conducting satisfactory due diligence.
  20. Additionally, on March 7, 2017, the fifth party, which previously did not submit an LOI within the prescribed time period, expressed an interest in pursuing the opportunity and requested access to the Data Room and suggesting a purchase price for the assets upon completion of satisfactory due diligence. The interested party requested 7 days to complete due diligence.
  21. On March 8, 2017, the Purchaser submitted its initial APA to the Proposal Trustee.

22. The Proposal Trustee, and the Company, ultimately agreed to extend the deadline for submission of an APA to 5:00 p.m. EST on March 17, 2017. Accordingly, the Proposal Trustee provided the fifth party access to the Data Room and advised all parties which submitted an LOI of the extension of time to submit their APA.
23. Of the five interested parties submitting LOI's, three were large international corporations within the industry, which were either a direct competitor or partnered with PVL in the past.
24. The Proposal Trustee held discussions with all 5 parties leading up to the extended submission deadline of March 17, 2017. Further, the Proposal Trustee arranged site tours and meetings with management during the week of March 13, 2017, for those parties requesting such as a part of their due diligence. Two of the interested parties arranged for staff from America and Europe to attend PVL's premises to tour the facility, meet with management and conduct further due diligence. A summary of those discussions and the APA's received is attached as **Confidential Appendix '2'**.
25. Based on the results of the SISP, the Proposal Trustee proceeded to negotiate with the Purchaser.

#### **Negotiations with the Purchaser**

26. The Proposal Trustee held discussions with the Purchaser during the sales process regarding its interest and intentions. BDC also held discussions directly with the Purchaser.
27. The Proposal Trustee advised the Purchaser that there were various industry competitors completing their due diligence and that it may be necessary to increase their offer.
28. Further discussions followed and the Purchaser prepared and submitted its final APA, essentially offering to purchase all of the Company's assets for the amount owed under the DIP Facility.

29. A copy of the Purchaser's APA (the "Sale Agreement") is attached as **Confidential Appendix '3'**. The Proposal Trustee has accepted the revised APA submitted by the Purchaser and notified the Purchaser of its acceptance, subject to court approval.

#### **PV Labs Capital Corporation**

30. On March 10, 2017 Robert Nemy ("Nemy"), a director of PV Labs Capital Corporation ("PVLCC"), corresponded via email with the Proposal Trustee advising that PVLCC held security over certain assets of PVL and requested a list of assets being marketed for their review with the intent of PVLCC submitting a bid for certain of those assets. PVLCC was on notice to the Company's initial application for the SISP Order.
31. On March 13, 2017 the Proposal Trustee advised Nemy that all the assets of the Company were available for sale and that the deadline to submit an APA had been extended to March 17, 2017. A CA was sent to Nemy for completion and further invitation to participate in the SISP. Additionally, the Proposal Trustee requested copies of PVLCC's security agreements.
32. Nemy suggested certain assets fall under PVLCC's security and therefore cannot form part of any sale and further suggested PVLCC will be in touch regarding the SISP. The Proposal Trustee advised Nemy, the successful APA is subject to court approval and that PVLCC would have an opportunity to be heard by the Court.
33. PVLCC did not execute the CA, did not communicate any further with the Proposal Trustee and did not pursue the opportunity to acquire any of the Company's assets.

#### **Proposal Trustee's Recommendation of the Purchaser's Offer**

34. As described above, pursuant to the SISP the Proposal Trustee contacted a target list of potentially interested parties identified by management, the Proposal Trustee, the corporate finance professionals BDO Canada LLP and PVLCC.
35. Additionally, the Proposal Trustee canvassed BDO Canada LLP's national partners for potential interest from their respective clients.

36. The Proposal Trustee is of the opinion it has marketed the business and assets of the Company to its fullest which resulted in the key industry competitors and other potentially interested parties performing their due diligence and assessing the opportunity.
37. The Purchaser is prepared to close quickly upon receipt of an Approval and Vesting Order.
38. The Proposal Trustee views the offer from the Purchaser as the best offer for, among other things, the following key reasons:
  - a) The Purchaser submitted the highest unconditional offer;
  - b) The Purchaser is prepared to close quickly;
  - c) The Purchaser communicated openly with the Proposal Trustee regarding its findings and potential concerns during the course of its review;
  - d) The Proposal Trustee has also considered an orderly liquidation of PVL's assets in assessing the Purchaser's offer. The Proposal Trustee believes that the Purchaser's offer provides a superior recovery than that which could be expected by way of an orderly liquidation.
39. The Proposal Trustee believes that interest in the Company, its assets and business is limited due to the specialized industry in which it operates. The Proposal Trustee has no reason to believe that additional marketing would result in a better offer being procured for the Company's assets. Moreover, continuing the SISP would involve further time and expenses, including, but not limited to, professional fees, payroll and employee related expenses, operational expenses, etc. The Company's forecasted cash flows evidence that they will have used all available funds from the DIP Facility by or around the end of April 2017. The Company will then have no further funds to operate.
40. During the course of the SISP the Proposal Trustee discussed with BDC and its legal counsel the various bidder's responses, the terms of the Purchaser's original offer as well as the Purchaser's revised offer.

41. Therefore, the Proposal Trustee respectfully recommends that this Court: i) approve the sale between the Company and the Purchaser; ii) authorize and direct the Company to execute and carry out the terms of the Sale Agreement; and iii) vest title to the Purchased Assets in and to the Purchaser upon closing of the transaction contemplated in the Sale Agreement.

#### **SEALING ORDER**

42. The material contained in the Confidential Appendices to this report is sensitive in nature and, if disclosed publicly before the completion of a sale transaction, could prejudice the Company and its stakeholders in the event that the transaction under the Sale Agreement is not completed for any reason. Accordingly, the Proposal Trustee respectfully recommends that the Confidential Appendices be sealed until the transaction under the Sale Agreement is completed.

#### **PROFESSIONAL FEES AND EXPENSES**

43. The Proposal seeks the approval of its professional fees and disbursements and the fees and disbursements of its legal counsel.
44. The professional fees and disbursements of the Proposal total \$96,484.17, plus applicable HST of \$12,542.94, for the period of January 6, 2017 to March 15, 2017. The Proposal Trustee's affidavit of fees is attached hereto as **Appendix 'D'**.
45. The legal fees of the Proposal Trustee's counsel, Pallett Valo LLP, total \$12,723.26, inclusive of HST, for the period of January 17, 2017 to March 15, 2017. An affidavit regarding Pallett Valo LLP's professional fees and disbursements is attached hereto as **Appendix 'E'**. The Proposal Trustee has reviewed the time entries submitted by Pallett Valo LLP and believes the work performed and charges incurred to be appropriate and reasonable.
46. The Proposal Trustee further estimates that additional fees and disbursements in the amount of \$30,000, exclusive of applicable HST (the "**Fee Accrual**"), will be incurred by the Proposal Trustee and its legal counsel to complete the administration of these Proposal Proceedings.

## CONCLUSION AND RECOMMENDATION

47. The Proposal Trustee is of the opinion that the SISP was conducted in a fair and reasonable manner. The Proposal Trustee is satisfied that the SISP adequately exposed the assets of the Company as a going concern to the marketplace. The Proposal Trustee is satisfied that the SISP provided sufficient exposure of the assets of the Company to all parties who might reasonably have wished to consider a transaction in respect of same. Furthermore, the Proposal Trustee is of the view that the Sale Agreement with the Purchaser constitutes the highest and best offer.
48. Based on the above, the Proposal Trustee respectfully recommends that the Court grant an order providing the relief described in section 5(b) of this Report.

All of which is respectfully submitted this 23<sup>rd</sup> day of March, 2017.

**BDO CANADA LIMITED**

in its capacity as Trustee under the  
Notice of Intention to Make a Proposal  
filed by PV Labs Inc. and not in its  
personal capacity

Per:



Peter Naumis, B. Comm., CIRP, LIT  
Vice President



# APPENDIX 'A'



Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of Ontario  
Division No. 07 - Hamilton  
Court No. 32-2211776  
Estate No. 32-2211776

In the Matter of the Notice of Intention to make a  
proposal of:

**PV Labs Inc.**  
Insolvent Person

**BDO CANADA LIMITED / BDO CANADA LIMITÉE**  
Licensed Insolvency Trustee

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Date of the Notice of Intention: January 27, 2017

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CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL  
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the *Bankruptcy and Insolvency Act*.

Pursuant to subsection 69(1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

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Date: January 27, 2017, 15:23

E-File/Dépôt Electronique

Official Receiver

Federal Building - Hamilton, 55 Bay Street N, 9th Floor, Hamilton, Ontario, Canada, L8R3P7, (877)376-9902

**Canada**

# APPENDIX 'B'

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

THE HONOURABLE JUSTICE

CONWAY

)  
)  
)

THURSDAY, THE 2<sup>ND</sup>

DAY OF FEBRUARY, 2017



**IN THE MATTER OF THE PROPOSAL OF**  
**PV LABS INC., OF THE CITY OF BURLINGTON,**  
**IN THE REGIONAL MUNICIPALITY OF HALTON,**  
**IN THE PROVINCE OF ONTARIO**

**ORDER**

THIS MOTION, made by PV Labs Inc. (“**PV Labs**”) for various relief pursuant to the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended (“**BIA**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion, the Affidavit of Mark Chamberlain sworn January 27, 2017 (the “**Chamberlain Affidavit**”), the Report of BDO Canada Limited in its capacity as the Proposal Trustee (“**Proposal Trustee**”) dated January 27, 2017 (the “**BDO Report**”), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel to PV Labs, counsel to the Proposal Trustee, counsel to the DIP Lender (as hereinafter defined), counsel to Royal Bank of Canada (“**RBC**”), no one else appearing,

**SERVICE**

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

## STAY EXTENSION

2. THIS COURT ORDERS that the time for PV Labs to file a proposal, and the stay of proceedings herein, is hereby extended in accordance with subsection 50.4(9) of the BIA to and including April 12, 2017,

## APPROVAL OF SISP

3. THIS COURT ORDERS that the sale and investment solicitation process (the “SISP”) described in the BDO Report is hereby approved.

4. THIS COURT ORDERS that the Proposal Trustee and PV Labs be and are hereby authorized and empowered to take such steps as are necessary or desirable to carry out and perform their obligations under the SISP, provided that any definitive agreement to be executed by PV Labs in respect of the sale of all or part of the Property (as defined below) shall require further approval of this Court.

## ADMINISTRATION CHARGE

5. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to PV Labs shall be paid their reasonable fees and disbursements (including any pre-filing fees and disbursements), in each case at their standard rates and charges, by PV Labs as part of the costs of these proceedings. PV Labs is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel to the Proposal Trustee and counsel to PV Labs on at least a monthly basis.

6. THIS COURT ORDERS that the Proposal Trustee, counsel to the Proposal Trustee and counsel to PV Labs shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on all assets, rights, undertakings, and properties of PV Labs, of every nature and kind whatsoever, and wherever situated including all proceeds thereof (the “**Property**”), which Administration Charge shall not exceed an aggregate amount of \$200,000, as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 17 and 19 hereof.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

7. THIS COURT ORDERS that PV Labs shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of PV Labs after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

8. THIS COURT ORDERS that the directors and officers of PV Labs shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for the indemnity provided in paragraph 7 of this Order. The Directors' Charge shall have the priority set out in paragraphs 17 and 19 hereof.

9. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) PV Labs' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 7 of this Order.

## **DIP FINANCING**

10. THIS COURT ORDERS that the execution by PV Labs of the DIP Term Sheet (as hereinafter defined) is hereby approved, *nunc pro tunc*, and PV Labs is hereby authorized and empowered to perform its obligations under the DIP Term Sheet and to obtain and borrow amounts under DIP Term Sheet entered into among PV Labs, as borrower, and 902878 Ontario Limited, as lender (the "**DIP Lender**"), provided that borrowings under such credit facility shall not exceed the principal amount of \$1.5 million unless permitted by further Order of this Court.

11. THIS COURT ORDERS that such credit facility shall be on the terms and subject to the conditions set forth in the DIP term sheet between PV Labs and the DIP Lender dated as of January 20, 2017, and appended to the BDO Report (the "**DIP Term Sheet**"), together with such

modifications as may be agreed upon by PV Labs and the DIP Lender and consented to by the Proposal Trustee.

12. THIS COURT ORDERS that PV Labs is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees or other definitive documents (such documents, together with the DIP Term Sheet, collectively, the “**Definitive Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, together with such modifications as may be agreed upon by PV Labs and the DIP Lender and consented to by the Proposal Trustee, and PV Labs is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities, and obligations to the DIP Lender under and pursuant to the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

13. THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 17 and 19 hereof.

14. THIS COURT ORDERS that, notwithstanding any other provisions of the BIA:

- a. the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record, or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- b. upon the occurrence of an event of default under the Definitive Documents, the DIP Lender may (i) cease making advances to PV Labs, and (ii) with approval of the Court upon at least three (3) business days’ notice to PV Labs and the Proposal Trustee, exercise any and all of its rights and remedies against PV Labs or the Property under or pursuant to the Definitive Documents and the DIP Lender’s Charge, including without limitation, set off and/or consolidate any amounts owing by the DIP Lender to PV Labs against the obligations of PV Labs to the DIP Lender under the Definitive Documents or the DIP Lender’s Charge, to

make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim manager, or for a bankruptcy order against PV Labs and for the appointment of a trustee in bankruptcy of PV Labs; and

- c. the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of PV Labs or the Property.

15. THIS COURT ORDERS AND DECLARES that all claims of the DIP Lender pursuant to the Definitive Documents are not claims that may be compromised pursuant to any Proposal under the BIA (“**Proposal**”) filed by PV Labs or any plan of arrangement or compromise (“**Plan**”) filed by PV Labs under the *Companies’ Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the “**CCAA**”) without consent of the DIP Lender and, the DIP Lender shall be treated as unaffected in any Proposal or Plan or other restructuring with respect to any obligations outstanding to the DIP Lender under or in respect of the Definitive Documents.

16. THIS COURT ORDERS that notwithstanding any other term or provision of this Order, the first funds of any advance made by the DIP Lender to PV Labs shall be for the purpose of paying in full all of the indebtedness and liabilities owing by PV Labs to RBC (including legal fees and disbursements recoverable by RBC in accordance with its loan and security documents), and until such payment, the security held by RBC against the property and assets of PV Labs shall not be affected by, and shall rank in priority to, the Administration Charge, the Directors’ Charge and the DIP Lender’s Charge.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

17. THIS COURT ORDERS that the priorities of the Administration Charge, the DIP Lender’s Charge and the Director’s Charge, as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$200,000);

Second - DIP Lender’s Charge; and



Third – Directors’ Charge (to the maximum amount of \$150,000)

18. THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, or the DIP Lender’s Charge (collectively, the “**Charges**”) shall not be required, and that the Directors’ Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

19. THIS COURT ORDERS that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”), in favour of any Person, notwithstanding the order of perfection or attachment.

20. THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, PV Labs shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless PV Labs also obtains the prior written consent of the Proposal Trustee, the DIP Lender and all other beneficiaries of the Charges, or further Order of this Court.

21. THIS COURT ORDERS that the Administration Charge, the Directors’ Charge, the Definitive Documents and the DIP Lender’s Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any motion(s) or application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such motions or applications; (c) the filing of any assignments for the general benefit of creditors made or deemed to have been made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, leases, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds PV Labs or the DIP Lender, and notwithstanding any provision to the contrary in any Agreement:

- a. neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by PV Labs or the DIP Lender of any Agreement to which any one of them is a party;
- b. none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from PV Labs entering into the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- c. the payments made by PV Labs pursuant to this Order, the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

#### SERVICE AND NOTICE

22. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which may be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure*, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective upon transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: [www.extranet.bdo.ca/pvlabs](http://www.extranet.bdo.ca/pvlabs).

23. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Proposal Trustee, counsel to the Proposal Trustee and counsel to PV Labs are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or electronic transmission to PV

Labs' creditors or other interested parties at their respective addresses as last shown on the records of PV Labs and that any such service or notice by courier, personal delivery, facsimile 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 third business day after mailing.

#### **GENERAL**

24. THIS COURT ORDERS that PV Labs or the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

25. THIS COURT ORDERS that each of PV Labs and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order, and for assistance in carrying out the terms of this Order and any other Order issued in these proceedings.

26. THIS COURT ORDERS that any interested party (including PV Labs and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

27. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Daylight Time on the date of this Order, and, for greater certainty, the DIP Lender shall be entitled to rely on this Order as issued for all advances made under the DIP Term Sheet and the Definitive Documents up to and including the date this Order may be varied or amended by this Court.



IN THE MATTER OF THE PROPOSAL OF PV LABS INC.

Court File No. 32-2211776  
Estate No. 32-2211776

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

Proceedings commenced at TORONTO

**ORDER**

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**Lawyers for PV Labs Inc.**

# APPENDIX 'C'

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF  
PV LABS INC.  
OF THE CITY OF BURLINGTON,  
IN THE REGIONAL MUNICIPALITY OF HALTON,  
IN THE PROVINCE OF ONTARIO.

FIRST REPORT OF THE PROPOSAL TRUSTEE  
JANUARY 30, 2017

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## LIST OF APPENDICES

- Appendix 'A' Certificate of Filing of a Notice of Intention to Make a Proposal
- Appendix 'B' PV Labs Capital Corporation demand and Notice of Intention to Enforce Security
- Appendix 'C' Company's cash-flow projection and related assumptions for the 13 week period ending April 28, 2017
- Appendix 'D' Proposal Trustee's reports on the cash-flow projections
- Appendix 'E' SISP
- Appendix 'F' DIP Term Sheet



## INTRODUCTION

1. PV Labs Inc. (“PVL” or the “Company”) is a corporation incorporated pursuant to the *Business Corporations Act* (Ontario) and designs and develops turnkey aerial imaging systems for the (a) cinema, (b) intelligence, surveillance, reconnaissance, and (c) aerial survey markets. PVL currently employs 31 individuals, of which 19 are engineers, and operates out of a leased facility located in Burlington.
2. The Company maintains a 100% ownership in Pictorvision Holdings Inc., a Delaware company whose sole asset is all of the shares of Pictorvision Inc. (“Pictorvision”), another Delaware company. Pictorvision leases out imaging systems under an arrangement with a California-based supplier of telescopic cranes.
3. The Company also owns a minor interest (less than 5%) in GeoDigital International Inc. (“GDI”), which mainly provides aerial survey solutions for the power utility market.
4. On January 27, 2017, PVL filed a Notice of Intention to Make Proposal (“NOI”) under the *Bankruptcy and Insolvency Act* (Canada) (“BIA”). BDO Canada Limited was named as the Proposal Trustee (“Proposal Trustee”) in the proposal proceedings (“Proposal Proceedings”). A copy of the Certificate of Filing of a Notice of Intention to Make a Proposal dated January 27, 2017 is attached hereto as **Appendix ‘A’**.
5. The primary purpose of the Proposal Proceedings is to facilitate a restructuring of PVL by raising necessary funding through any or a combination of:
  - a sale of all or a portion of the Company’s assets and operations;
  - the refinancing of the Company’s secured and other liabilities; and/or
  - an equity investment by a new investor.
6. This is the first report of the Proposal Trustee (“Report”) to be filed in the Company’s estate. The purpose of this Report is to:
  - a) Provide this Court with information regarding:
    - (i) The activities of the Proposal Trustee;

- (ii) The proposed Sale and Investor Solicitation Process (“SISP”) (as described elsewhere in this Report);
  - (iii) Cash flow requirement for DIP financing; and
- b) Support the Company’s request for an order which:
- (i) Approves the SISP;
  - (ii) Authorizes the Proposal Trustee to carry out the SISP and take such incidental steps as it considers necessary or desirable in the circumstances to complete the SISP;
  - (iii) Approves a \$250,000 first ranking priority charge over all of the Company’s assets, undertakings, and property (the “Administration Charge”) in favour of the Proposal Trustee, the Proposal Trustee’s legal counsel, Pallett Valo LLP (“Pallett Valo”), and the Company’s legal counsel, Chaitons LLP (“Chaitons”, and together with the Proposal Trustee and Pallett Valo, the “Professional Group”) to secure payment of their professional fees and disbursements. The Administration Charge shall rank in priority to all other charges;
  - (iv) Authorizes the Company to enter into arrangements with 902878 Ontario Limited (“902”) to obtain financing of up to \$1,500,000 (the “DIP Facility”) to facilitate the continued operations of the Company during these proceedings and approves an \$1,500,000 priority charge over all of the Company’s assets, undertakings and property (the “DIP Charge”) in favour of 902 to secure repayment of the financing. The DIP Charge shall rank in priority to all other obligations other than the Administration Charge, statutory super priority deemed trusts and liens for unpaid source deductions and such other permitted priority encumbrances as may be agreed to in writing by 902.
  - (v) Approves a \$150,000 priority charge over all of the Company’s assets, undertakings, and property (the “D&O Charge”) in favour of the Company’s officers and directors to mitigate any exposure faced by them

in respect of obligations and liabilities that they may incur as directors and officers during the Proposal Proceedings. The D&O Charge shall rank in priority to all security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, other than the Administration Charge and the DIP Charge.

- (vi) Approves an extension of the stay of proceedings of 45 days and the time by which to file a proposal from February 26, 2017 to April 12, 2017; and
  - (vii) Approves the Report of the Proposal Trustee.
7. This Report is to be read in conjunction with the affidavit of Mark Chamberlain sworn on January 27, 2017 (the “Chamberlain Affidavit”).
  8. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, the Company’s books and records and discussions with its representatives. The Proposal Trustee has not performed an audit or other verification of such information. An examination of the Company’s financial forecasts as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this Report is based on assumptions formulated by the Company’s representatives regarding future events; actual results achieved may vary from this information and these variations may be material.

## **BACKGROUND**

9. As reported above, PVL designs and develops turnkey aerial imaging systems, which technology is used for, among other things, i) cinema, ii) surveillance, and iii) reconnaissance. PVL’s customers include film studios, various levels of governments and military.
10. PVL’s expertise is in the development of solutions that require high performance gimbal stabilization (a gimbal is a platform that can pivot enabling a video recording device to remain stable and fixed), optics and data management that leverage common software and hardware components.

11. PVL has recently developed the next generation of stabilization technology. This technology represents the fifth generation of stabilization technology (“GEN V”) and is the first platform stabilization technology to utilize a six degree of freedom “Flex-Pivot-Isolator” to replace the traditional mechanical constraint system in a gimbal. The new technology includes both software and hardware that enable a structure to provide a simple, direct support for the imager.
12. A summary of the history of platform stabilization technology from first generation to the current, fifth, is as follows:
  - (i) Gen-I  
Semi-active stabilization: Inertia is dominant feature
  - (ii) Gen-II  
Classic Active Gimbal System (large travel, direct drive actuators closing rate loops)
  - (iii) Gen-III  
Limited travel, high bandwidth, inner gimbal mounted on a large travel, low bandwidth, outer gimbal. Passive isolation mounted between inner and outer gimbals.
  - (iv) Gen-IV  
Unconstrained Voice Coil Actuator Inner Gimbal version of Gen-III with very high bandwidth inner gimbal.
  - (v) Gen-V  
Gimballess 6 DOF Gen-IV with semi-active isolation. 6 DOF Flex Pivot Isolator array replaces gimbal bearings, constraint structure, and passive isolation. Provides a simple, direct, structural support for the payload.
13. Currently there are products offered by PVL competitors that use a similar technology or provide the same level of performance. The competitive advantage of the GEN V

technology based products is its significant improvements in size, weight and performance. PVL has patented its technology.

14. PVL currently employs 31 non-unionized individuals, including 19 engineers, and anticipates the continued employment for its entire workforce during its restructuring.

### **Secured Lenders and Trade Creditors**

#### **Royal Bank of Canada**

15. PVL maintains a revolving line of credit with Royal Bank of Canada (“RBC”) in the maximum amount of \$600,000. RBC holds a general security interest against all of PVL’s assets which has been registered under the *Personal Property Security Act* (Ontario) (the “PPSA”). As of the date of this Report PVL is indebted to RBC in the amount of \$376,000.
16. It is the intent of the Company to use the DIP Facility to pay out RBC in full.

#### **Business Development Bank of Canada**

17. Business Development Bank of Canada (“BDC”) granted a loan to PVL in the amount of \$2,500,000. BDC holds a general security interest against all of PVL’s assets which has been registered under the PPSA.
18. PVL is in default under its obligations owed to BDC, which is in a position to demand repayment in full of all amounts owed. As of the date of this Report, PVL’s indebtedness to BDC is approximately \$2,165,000.

#### **PV Labs Capital Corporation**

19. PV Labs Capital Corporation (“PVLCC”) granted, among other things, a convertible loan to PVL in the amount of \$2,000,000. PVLCC holds a general security interest against all of PVL’s assets which has been registered under the PPSA.
20. The term of the loan by PVLCC expired in 2014, at which time all amounts properly owed to PVLCC became repayable, subject to the terms of the agreements between the parties. PVL and PVLCC disagree on some of the terms of the agreement and

have been attempting to resolve the various issues between them. As at the date of this Report, certain issues remain unresolved.

21. PVL is in default under its obligations owed to PVLCC. On January 18, 2017, PVLCC issued a demand letter to PVL, along with a Notice of Intention to Enforce Security, pursuant to subsection 244(1) of the BIA. A copy of PVLCC's demand is attached hereto as Appendix 'B'.

#### **902878 Ontario Limited**

22. On or around July 27, 2016, 902878 Ontario Limited ("902") financed PVL's 2016 Scientific Research and Experimental Development ("SRED") tax credit. PVL estimated its 2016 SRED refund to be approximately \$1,300,000. PVL's revolving credit facility with 902 was for a maximum amount of \$1,000,000.
23. PVL granted security to 902 over all of its existing and after-acquired personal property. Additionally, PVL assigned to John Heersink, the principal of 902, its rights to all amounts payable to it under the federal Scientific Research and Experimental Development Tax Incentive Program ("SRED") for the fiscal year ending September 30, 2016. 902's security interest was registered under the PPSA.
24. On or about January 19, 2017, PVL received its 2016 SRED tax credit, totaling \$1,338,209, and subsequently remitted \$1,007,808.22 to 902 in full satisfaction of outstanding principal and interest.
25. PVL is currently not indebted to 902.

#### **Other Creditors**

26. Other creditors include the following:
  - a) Various leasing and financing companies with specific registrations against computers, photocopiers and software, including Xerox Canada Ltd., National Leasing Group Inc., and Dell Financial Services Canada Limited;
  - b) Trade and other creditors who are owed approximately \$1,700,000 as at January 27, 2017; and

- c) Customer advances of approximately \$1,100,000 as of January 27, 2017.

**Events Leading to NOI**

- 27. Over the past 4 years, PVL invested approximately \$10 million in the development of its proprietary GEN V technology and gimbal.
- 28. Based on the strength from customer interest and an initial order for five PV-15 units (incorporating a 15” gimbal), PVL began purchasing the necessary inventory for production.
- 29. However, the initial commercial product based on the GEN V technology was delayed approximately one year due to technical design problems and supplier delays.
- 30. The first completed PV-15 was shipped in or around December 2016. The delayed delivery of the first units has resulted in a significant delay in revenue, while at the same time inventory has increased significantly.
- 31. Additionally, the ongoing dispute with PVLCC has prevented PVL from obtaining additional financing to fund the cash shortfall and capitalize the Company.
- 32. PVL currently finds itself in a significant cash shortage, unable to meet immediate financial and operating obligations and subject to PVLCC’s demand.
- 33. The Company’s management initiated the Proposal Proceedings in consideration of the following:
  - a) PVL has insufficient working capital to continue operations;
  - b) PVLCC issued its demand letter, along with its Notice of Intention to Enforce Security, on January 18, 2017;
  - c) Without a stay of proceedings and the ability to borrow funds on a super-priority basis, there would be no readily available source of liquidity such that PVL could continue to meet its working capital obligations as they come due and continue to operate in the ordinary course of business; and

- d) Management's view is that a sale or refinancing of the Company's assets and business operations is necessary to restructure the underlying business operations and maximize the repayment of the Company's obligations to stakeholders.

34. In filing the NOI, management's objective is to:

- a) Obtain a stay of proceedings to preserve the status-quo;
- b) Create a court-supervised environment to allow management to focus on satisfying immediate cash-flow needs and stabilize the business and operations of the Company; and
- c) Implement the Company's restructuring plan within a transparent court-supervised environment: (i) first, to authorize the Proposal Trustee to administer and oversee a court-approved marketing and sales process to sell all or a portion of the Company's assets and operations; and (ii) second, to work with the Proposal Trustee to solicit equity injections in and to the Company's operations, all of which will contribute to the Company's goal of developing and presenting a proposal for creditors.

## ACTIVITIES OF THE PROPOSAL TRUSTEE

### Notice to Creditors

35. In accordance with its obligations under the BIA, the Proposal Trustee issued a notice by mail on January 30, 2017 to all known creditors of the Company regarding the filing of the NOI. In addition, the Proposal Trustee will post certain court documents and other information about the proceedings at its website, [www.extranets.bdo.ca/pvlabs](http://www.extranets.bdo.ca/pvlabs).

### Cash-flow Projection

36. The Company's cash-flow projection and related assumptions for the 13 week period ending April 28, 2017, together with management's report on the cash-flow projection (as required under subsection 50.4(2)(c) of the BIA) is attached as Appendix 'C'.



37. The cash-flow projection demonstrates that absent the DIP Facility, PVL forecasts a projected shortfall of approximately \$1,480,000 up to April 21, 2017.
38. Based on the Proposal Trustee's review of the cash-flow projection, there are no material assumptions which seem unreasonable in the present circumstances. The Proposal Trustee's report for the Company on the cash-flow projection (as required under subsection 50.4(2)(b) of the BIA) is attached as **Appendix 'D'**.
39. The Company's cash-flow projection reflects management's assumption that the Company will stay current with post-filing obligations for trade purchases and other ordinary business expenditures. However, the Company is not expected to generate sufficient cash-flow during the restructuring period to pay all professional costs as they are incurred. As a result, the Company is seeking a charge over its assets to support its ongoing and accruing obligations to its restructuring professionals, as discussed below.

#### **Monitoring Receipts and Disbursements**

40. The Proposal Trustee has arranged reporting and monitoring processes with management, including reviewing all cash-flow and financial reporting and receipts and disbursements of the Company on a weekly basis.

#### **SALE AND INVESTOR SOLICITATION PROCESS**

41. The Proposal Trustee, in conjunction with the Company's management, has developed a sale and investor solicitation process ("**SISP**") for the Company's assets and operations. A summary of the process, substantially in the form as attached, is appended as **Appendix 'E'**.
42. By way of overview, the SISP will proceed as follows:
  - a) The Proposal Trustee will administer and implement the SISP;
  - b) The Proposal Trustee, with the assistance of the Company's management, will prepare a list of prospective and strategic targets who may be interested in

purchasing/financing/investing in the Company's assets and operations on a going-concern basis (each, a "**Potential Bidder**");

- c) The Proposal Trustee will prepare a "teaser" setting out the purchasing/financing/investing opportunity to be delivered to the Potential Bidders to elicit interest;
- d) The Proposal Trustee will publish an advertisement in the national edition of The Globe and Mail to canvas further interested bidders, all of whom shall be added to the list of Potential Bidders;
- e) The Proposal Trustee will prepare a confidentiality agreement (the "**CA**") which will be provided to those Potential Bidders who have indicated an interest in further exploring the purchasing/financing/investing opportunity;
- f) The Proposal Trustee will prepare a confidential information memorandum (the "**CIM**") which will provide a concise summary of the Company's assets and operations and which will allow prospective bidders who have signed a CA to initially assess the Company's financial and operating situation and the purchasing/financing/investing opportunity. The CIM will focus high level on those key business and investment highlights that are most relevant to a range of prospective bidders. The CIM will set out:
  - a. a timeline for the SISP, including the submission of formal offers, a proposed date for closing a successful bid, and general information on proposed terms (including the form of consideration, deposit details and requisite proof of financial capacity of the prospective bidder to complete their bid);
  - b. a detailed outline of the assets available for purchase;
  - c. the form of non-binding letter of intent ("**LOI**") which Potential Bidders will have to complete and submit to the Proposal Trustee;

- d. the form of binding offer letter (“Offer Letter”) which Potential Bidders (who have previously submitted an LOI) will be required to submit to complete their bid;
  - g) Potential Bidders that sign a CA will be provided with the CIM;
  - h) Potential Bidders will be required to deliver an executed non-binding LOI by the stipulated deadline date;
  - i) The Proposal Trustee will review all LOIs and determine which parties will be provided access to a comprehensive electronic data room (the “Data Room”) that will include all relevant financial, operational and corporate data that would reasonably be required by a Potential Bidder in the due diligence process. The Company will assist the Proposal Trustee in compiling data for the due diligence review;
  - j) Potential Bidders will have approximately 2 weeks to review the CIM, access and review the due diligence information contained in the Data Room, and to submit a binding Offer Letter;
  - k) Upon the deadline for receipt of Offer Letters, the Proposal Trustee (with the consultation of the Company and affected stakeholders, as may be appropriate) will review all Offer Letters submitted and determine whether additional negotiations are required in order to select the successful bid(s);
  - l) After execution of an agreement (the “Agreement”) with the successful bidder, the Company will seek any Court approval required with respect to the Agreement.
43. The closing of any sale(s) of the Company’s assets and other interests shall be conditional upon approval of the Court.
44. The timeline for the SISP will be as follows (subject to necessary adjustment as may be determined by the Proposal Trustee):

Distribution Date for Teaser..... February 3, 2017

Suggested deadline for receipt of LOIs.....	February 22, 2017
Deadline for receipt of Offer Letters.....	March 8, 2017
Deadline for negotiations with a bidder and execution of the Agreement.....	March 15, 2017
Transaction approval hearing at court.....	March 29, 2017
Closing of approved transaction.....	April 14, 2017

45. The SISP is designed to be completed by the end of April 14, 2017. The timeframe was developed in consideration of the following factors:
- a) Management’s advice that the pool of potentially interested parties for the business may be limited given the scope of the business and industry;
  - b) DIP Facility available;
  - c) Maintenance of goodwill; and
  - d) There is a concern that a longer SISP might create instability that would negatively impact PVL’s relationship with customers.
46. The SISP is necessary to permit the Company to determine whether a transaction is available that would allow the Company to develop and file a meaningful proposal to its trade and other unsecured creditors after payment of its secured obligations. Conducting the SISP will allow this assessment without any obligation on the part of the Company to accept any offer received.
47. The SISP preserves this Court’s authority to approve any sale under section 65.13 of the BIA.
48. The Proposal Trustee will administer and oversee the SISP at the Company’s request. The Proposal Trustee has considerable experience in conducting such processes and is qualified to do so. The Proposal Trustee will conduct the SISP in accordance with the order being sought and will fulfill its obligations to the Court to ensure the fairness, transparency and integrity of the proposed process.

49. While the Proposal Trustee has not completed a valuation of the assets and operations of the Company, the SISP will fully expose the opportunity to the market with a view to maximizing recoveries for the benefit of the Company's creditors.
50. The Proposal Trustee respectfully requests that the Court approve the SISP as the SISP has been designed to identify interested purchasers/financiers/investors.
51. In the above circumstances, the Proposal Trustee believes the SISP provides an effective and timely method to market the Company's business and assets to interested parties for a reasonable period of time.

#### **CASH FLOW/DIP FACILITY**

52. As explained above, the Company has insufficient capital to maintain its operations through these Proposal Proceedings.
53. PV Labs received an offer for interim financing from 902 which it evaluated with the assistance of its counsel and the Proposal Trustee, considering, among other things, the costs and fees associated with the proposal, the priority ranking of charges securing the proposed interim financing and the Company's liquidity requirements during the proposal proceedings.
54. After evaluating the financing proposal from 902 with a view to the best interests of PV Labs and its stakeholders, PV Labs negotiated with 902's principal, John Heersink, to finalize the terms of the proposed financing. A copy of the finalized term sheet (the "**DIP Term Sheet**") setting out the terms of the DIP Facility is appended hereto as **Appendix 'F'**.
55. It is contemplated that all obligations of the Company under the DIP Term Sheet are to be secured by a court-ordered charge over all present and after-acquired property, assets and undertakings of the Company, ranking in priority to all other obligations other than the Administration Charge, statutory super priority deemed trusts and liens for unpaid source deductions and such other permitted priority encumbrances as may be agreed to in writing by 902.

56. Management has limited venues to search for interim financing. Any potential lender would likely demand a first-ranking charge in priority to all other creditors.
57. Management believes that the terms of the DIP Facility are favourable to it having regard to the present circumstances. Management also believes that the amount of the DIP Facility is reasonable in the circumstances and will enable the Company to fund the additional production and these Proposal Proceedings pending a transaction resulting from the SISP.
58. The DIP Charge will affect the security position of RBC, BDC, and PVLCC (collectively, the “Secured Creditors”). As such, PVL has made the Secured Creditors aware of the necessity and the impact of the proposed DIP Facility.
59. The Proposal Trustee is of the view that the DIP Charge is appropriate in the circumstances:
  - a) The DIP Facility will enhance the Company’s ability to meet various financial obligations and allow it to continue to operate under these Proposal Proceedings, maintaining its goodwill and going concern value, thereby enhancing an anticipated recovery for the benefit of all stakeholders;
  - b) The quantum and terms of the DIP Charge are reasonable in the present circumstances; and
  - c) The DIP Facility is provided on terms that are fair and reasonable and is the product of an arms’ length negotiation and compromise.

#### **ADMINISTRATION CHARGE**

60. Based on management’s latest cash-flow projection, PVL will not generate sufficient cash-flow during the restructuring period to pay professional costs as they are incurred. The Professional Group, comprising the Proposal Trustee, Pallett Valo (counsel to the Proposal Trustee), and Chaitons (counsel to the Company), accordingly seeks the protection of a \$250,000 charge against the assets, undertakings and property of the Company to secure payment of professional fees and disbursements incurred in the Proposal Proceedings, including with respect to

the fees and disbursements of the Professional Group incurred in the preparation and filing of the NOI.

61. The Administration Charge in favour of professionals is common in restructuring proceedings of this nature and is, in the view of the Proposal Trustee, appropriate in the present case due to the Company's lack of liquidity. It is unlikely that the Professional Group will continue to participate in these proceedings unless their fees and expenses are secured by way of the proposed Administrative Charge.
62. As set out in the Chamberlain Affidavit, the Company believes the Administration Charge is essential to a successful restructuring and a fair and transparent SISP.
63. It is envisioned that the Proposal Trustee will oversee and implement the Proposal Proceedings and SISP, and will call upon counsel as appropriate to carry out its obligations relating thereto. A summary of essential services to be provided include:
  - a) Administration and monitoring of the Proposal Proceedings, including preparing reports to creditors, the Official Receiver, and this Court as may be required by the BIA, and reviewing the Company's cash-flows and related financial disclosure;
  - b) Implementation of the SISP over a 6 week period, including drafting of the solicitation package (including the CA, the CIM, the LOI, and the Offer Letter), preparation of the Data Room, assisting Potential Bidders with the due diligence process, reviewing bids and negotiating and drafting transaction documents;
  - c) Preparing, drafting and filing all court materials, including the motion to approve any proposed sale of the Company's assets;
  - d) Providing general corporate and specialized restructuring advice to the Company; and
  - e) Assisting the Company in the preparation of its financial reporting as may be required under the BIA.
64. Because of their institutional knowledge of the Company's business and their specialized experience in proposal proceedings generally, the services to be provided by the Professional Group are critical to the success of the Company's restructuring.

Further, the Professional Group has and will work cooperatively to ensure there is no unwarranted duplication of work completed.

65. The Proposal Trustee is of the view that the Administration Charge is appropriate in these circumstances:
- a) The proposed services are essential to both a successful restructuring and the conduct of a Court-approved SISP;
  - b) It is necessary for the Company to pay the reasonable fees and disbursements of the Professional Group;
  - c) The Company's cash-flow demonstrates that they will be unable to satisfy the reasonable fees and disbursements of the Professional Group as they are incurred;
  - d) The Professional Group is not willing to assume the risk of extending further credit to the Company in respect of the Proposal Proceedings. It is unlikely that the Professional Group will continue to participate in the Proposal Proceedings unless their reasonable fees and disbursements are secured by way of the proposed Administration Charge; and
  - e) The quantum of the proposed Administration Charge is reasonable given the nature and scope of the services to be provided, the expected duration of the SISP, and the inability of the Company to fund professional charges from free cash-flow.
66. Section 64.2 of the BIA provides the Court with jurisdiction to grant a super-priority charge such as the Administration Charge requested herein where notice is given to secured creditors. In this regard, the Proposal Trustee is advised by Chaitons that all other creditors having registrations against the Company under the *Personal Property Security Act* (Ontario) will be served with the Company's motion record.

#### **DIRECTORS AND OFFICERS CHARGE**

67. To address legitimate concerns expressed by the Company's directors and officers with respect to their potential exposure if they continue to act (rather than resign



before a significant portion of the liability can be triggered), the directors and officers have requested reasonable protection against personal liability if they are to remain and assist in these Proposal Proceedings.

68. Having the directors and officers remain and assist in the restructuring will greatly increase the prospects of a successful restructuring, which in turn will maximize value for all stakeholders.
69. In this regard, the Company seeks a director's charge ranking in priority to all security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise, other than the Administration Charge and the DIP Charge to protect the directors and officers from all claims and liabilities that may arise after the filing date as a result of their association with the Company.
70. As described in the Chamberlain Affidavit, the Company has no unpaid and unremitted or outstanding amounts of sales taxes, deductions at source or any other amounts for which the directors and officers of the Company might be liable. However the proposed charge provides a contingency in the event that certain obligations arise during the restructuring proceedings or insufficient funds are advanced und the DIP facilities. The D&O Charge would be only available to the Directors and Officers in the event that any existing insurance policy does not provide coverage.
71. The Proposal Trustee is of the view that the D&O Charge is reasonable in the circumstances.

#### **EXTENSION OF STAY OF PROCEEDINGS**

72. The SISP will run for an expected period of 10 weeks.
73. Given the date on which the NOI was filed, the Company is currently required to file a Proposal by February 26, 2017.

74. The Company is requesting an extension of the stay of proceedings of 45 days and the time by which to file a proposal from February 26, 2017 to April 12, 2017 on the following grounds:
- a) The SISP will not be completed before the current deadline for the filing of a proposal;
  - b) The Company seeks the extension to permit it to fully pursue the SISP and assess whether a sale or other transaction or proposal (or a combination of the two) would be most beneficial to the Company's creditors;
  - c) The extension will increase the likelihood of a feasible transaction or a proposal; and
  - d) The continuation of operations will aid the Company's efforts in marketing the assets and operations of PVL on a going-concern basis.
75. With the aid of the DIP Facility, the Company's cash-flow projection indicates the Company have sufficient cash-flow to meet its financial obligations, with the possible exception of professional fees, during the proposed extension period.
76. The Proposal Trustee supports the Company's request to extend the stay of proceedings of 45 days and the time by which to file a proposal from February 26, 2017 to April 12, 2017. The Proposal Trustee does so for the following reasons:
- a) Thus far, PVL has continued operations in the normal course and, in the opinion of the Proposal Trustee, has complied with the requirements of the BIA;
  - b) The Company has acted, and continues to act, in good faith and with due diligence;
  - c) In the opinion of the Proposal Trustee, no creditor will be materially prejudiced if the extension is granted;
  - d) The extension eliminates a further Court attendance solely to consider an extension of the stay of proceedings and saves the costs of doing so.

## CONCLUSION AND RECOMMENDATION

77. At the time of this Report, discussions remain ongoing amongst the Company and major stakeholders with respect to the: i) SISP, and ii) requested extension of the stay of proceeding. The Company remains hopeful a consensus will be obtained before its motion is heard.
78. Based on the above, the Proposal Trustee respectfully recommends that the Court grant an order providing the relief described in section 6(b) of this Report.

All of which is respectfully submitted this 30<sup>th</sup> day of January, 2017.

**BDO CANADA LIMITED**

in its capacity as Trustee under the  
Notice of Intention to Make a Proposal  
filed by PV Labs Inc. and not in its  
personal capacity

Per:



Eugene P. Migus, CPA, CA, CIRP, LIT  
Senior Vice President

# APPENDIX 'D'

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSAL OF  
PV LABS INC.  
OF THE CITY OF BURLINGTON,  
IN THE REGIONAL MUNICIPALITY OF HALTON,  
IN THE PROVINCE OF ONTARIO.**

**AFFIDAVIT OF PETER NAUMIS  
(sworn March 23, 2017)**

I, **PETER NAUMIS**, of the City of Mississauga, of the regional municipality of Peel, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a Licensed Insolvency Trustee and Vice-President at BDO Canada Limited (“**BDO**”), Trustee of the Proposal of PV Labs Inc. (“**PVL**”), and insolvent person and, as such, have personal knowledge of the matters referred to herein.
2. On January 27, 2017, PVL filed a Notice of Intention to Make Proposal (“**NOI**”) under the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). BDO Canada Limited was named as the Proposal Trustee in the proposal proceedings (“**Proposal Proceedings**”). The Proposal Trustee has provided services which are more particularly described in the detailed time dockets attached hereto and marked as **Exhibit “A”**.
3. The detailed time dockets attached as **Exhibit “A”** are a fair and accurate description of the services provided and the amounts charged by the Proposal Trustee.

4. In addition to the usual services provided by the Proposal, considerable time was expended by the Proposal Trustee in dealing with the following matters requiring additional time and attention and should be considered for a just and adequate remuneration of the Proposal Trustee in connection with the above:

PVL's application for Sale and Investor Solicitation Process

- Drafting Proposal Trustee's First Report in support of, among other things, an order:
  - (i) approving A Sale and Investor Solicitation Process ("SISP") to be undertaken for PVL's assets and business;
  - (ii) approving an extension of 45 days of the stay of proceedings and time to file a Proposal to creditors; and
  - (iii) approving interim DIP financing.
- Attendance at court for PVL's application;
- Assisting management with forecast cash flows to support SISP and 45 day extension requested.

Forecasts and Monitoring

- Assist management with 13 week cash flow forecast and quantum of required interim financing to carry PVL through SISP;
- Meeting with management and certain key employees to vet final forecasts; and
- Arrange reporting and monitoring processes with management, including reviewing all cash-flow and financial reporting and disbursements of PVL.

SISP

- Administer court approved SISP;

- Drafting of “teaser” and Confidential Information Memorandum as part of the SISP;
- Identification of target list of potentially interested parties and dissemination of “teaser” to identified group;
- Various and ongoing communications with interested parties receiving “teaser” and discussion of SISP;
- Negotiate certain confidential agreements with public entities;
- Arrange Data Room for invitees to perform due diligence. Manage access to Data Room and arrange site tours for invitees requesting same;
- Negotiate extension of offer deadline, intent of interest party and capacity to complete deal; and
- Negotiate final asset purchase agreement with Purchaser.

Miscellaneous

- Dealing with numerous creditor enquiries;
- Ongoing communication and updates with secured creditor.

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5. The time docket may be summarized as follows:

	Rate	Hours	Fees
Trustee and Senior Vice-President			
Migus, Eugene	\$ 565.00	5.10	\$ 2,881.50
Siciliano, Vince	550.00	45.75	25,162.50
Trustee and Vice-President			
Naumis, Peter	435.00	125.75	54,701.25
Administrator			
Finamore, Patrick	120.00	15.00	1,800.00
Leung, Kevin	175.00	29.60	5,180.00
Nusrath, Sayyida	290.00	2.00	580.00
Zahir, Farooq	290.00	15.00	4,350.00
Office & Accounting			
Various	139.68	11.15	1,557.40
Total Time and Charges to March 15, 2017		249.35	96,212.65
Disbursements:			
Travel			271.52
			271.52
Total Remuneration & Disbursements			96,484.17
HST on Remuneration & Disbursements			12,542.94
Total Remuneration, Disbursements & HST			\$ 109,027.11

6. The Proposal Trustee requests that the Court approve its fees for the period from January 6, 2017 to March 15, 2017 in the amount of \$96,484.17 plus HST of \$12,542.94, for the services set out in Exhibit "A".

7. This Affidavit is sworn in support of, among other things, the approval of the Proposal Trustee's fees and disbursements, and for no other or improper purpose.

SWORN before me at the City of )  
 Mississauga, in the Province of )  
 Ontario this 23<sup>rd</sup> day of March, 2017 )  
 )  
*Deborah Anne Kenwood* )  
 )  
 A commissioner, etc. )

  
 \_\_\_\_\_  
 PETER NAUMIS

Deborah Anna Kenwood, a Commissioner, etc., Province of Ontario, for BDO Canada LLP, Chartered Accountants and BDO Canada Limited, Trustee in Bankruptcy and their subsidiaries, associates and affiliates. Expires January 5, 2019.



Exhibit 'A'

<u>Date</u>	<u>Professional</u>	<u>Hours</u>	<u>Comments</u>
6-Jan-17	Siciliano, Vince	1.00	Various communications Benchetrit, Sachdeva re conflict check etc.; engagement letter;
6-Jan-17	Iannilli, Franca	1.50	Draft Letter for Vince-Review-update changes-Scan-
9-Jan-17	Naumis, Peter	0.25	With Vince and Eugene, new engagement.
9-Jan-17	Iannilli, Franca	1.00	Respond to Vince's emails-update changes and prepare (3) Cover letters- PPSA Search-corporation/other Print and scan to the directory
9-Jan-17	Migus, Eugene	0.85	Conference call with management, Chaitons LLP, Pallett Valo LLP; email to company regarding engagement letter, list of requested documents and information.
9-Jan-17	Siciliano, Vince	0.50	conference call with Benchetrit; Sachdeva
10-Jan-17	Siciliano, Vince	0.50	update call to discuss cash flows and planning filing
10-Jan-17	Naumis, Peter	-	Travel to and from PV Labs.
10-Jan-17	Naumis, Peter	4.50	Review initial information received from Company, forecast, supporting docs, etc. Travel to PV Labs, meet with Ted U., Mark C. and Nancy K. Review initial draft forecasts and support. Discuss process and operating as going concern. Discuss estimated capital injection needed during proposal proceeding. Discuss open and projected contracts. Provide list of required information.
11-Jan-17	Naumis, Peter	2.00	Continued work on draft projections, vetting forecasts, etc. Update and additional information from PV Labs.
12-Jan-17	Naumis, Peter	-	Travel to and from PV Labs.
12-Jan-17	Naumis, Peter	3.50	Travel to PV Labs, meet with Mark, Ted and Nancy. go through draft forecasts, seek additional information on anticipated contracts and negotiations with Fibertek and John Hopkins University. Vetting of projected receipts and disbursements. Conference call with BDO, PV Labs, Chaitons and Pallett Valo, status update and moving forward. Receipt and vetting of additional information.
12-Jan-17	Siciliano, Vince	0.50	update call with management and professional re cash flow etc.
13-Jan-17	Dula, Lourdes	0.60	opened new bank acct, processed dep
13-Jan-17	Siciliano, Vince	1.00	various communication re cash flow, operations etc.; conference call to discuss cash flow and timing for filing NOI.
13-Jan-17	Naumis, Peter	2.00	Continued cash flow work. Receive and review updated information from management. Ongoing discussions with management. Financial statements, contracts, etc.
15-Jan-17	Naumis, Peter	-	Travel to and from PV Labs.
15-Jan-17	Naumis, Peter	3.50	Attend PV Labs, meet with Mark, Ted, Nancy, Devlan and John. Review, analyze and go through open contracts, potential contracts and marketing. Obtain supporting documentation re: cash flow receipts and disbursements (i.e. material costs). Answer queries.
16-Jan-17	Naumis, Peter	2.50	Ongoing communication and work with management re: cash flows, estimating necessary interim financing, open contracts and proposed contracts. Continue draft cash flows, assumptions and reports.
16-Jan-17	Migus, Eugene	0.50	Discussion and update from Peter Naumis; review updated cash flow projection with Peter Naumis and discuss DIP loan financing, repayment of SRED loan, inquiries on further reducing payroll costs.
16-Jan-17	Leung, Kevin	3.20	Set up NOI/Proposal estate in Ascend; input creditor details; review PPSA and update additional secured creditors; input Director information.

17-Jan-17	Naumis, Peter	2.00	Participate on conference call, status update, dealing with secured creditors, timing of filing, etc. Discussions with Nancy re: bank statements, RBC line, etc. Request copies for review and reconciliation with draft cash flows. Receive and review security documents for SRED lender. Circulate draft cash flows for discussion.
17-Jan-17	Siciliano, Vince	1.60	update cash - cash flow, dealing with RBC and other matters, review of PPSA's and security doc's' directors charge admin charge
17-Jan-17	Migus, Eugene	0.15	Follow-up discussion.
18-Jan-17	Naumis, Peter	1.75	Review draft affidavit of Mark Chamberlain. Review DIP Term Sheet. Ongoing communications with management.
18-Jan-17	Siciliano, Vince	0.50	review updated cash flow.
19-Jan-17	Naumis, Peter	4.50	Receive and review forecasted bank margins for period covering stay of proceedings. Continue working on draft First Report of Proposal Trustee. Review necessary D&O Charge and quantum. Receive and review draft Order for Company's applications (re: sale process, Admin Charge, DIP Charge and D&O Charge). Review anticipated cash flow of post filing contracts. Ongoing discussions with management. Update cash flows.
19-Jan-17	Siciliano, Vince	-	review draft court order; update cash flows; discussion re RBC
20-Jan-17	Naumis, Peter	4.00	Receipt and review of updated forecasts. Receipt and review of updated customer deposit summary. Update on receipt of Fibertek contract for post filing work. Updated Aged A/R listing and review. Receipt and review of inventory report. Continued work on draft First Report.
20-Jan-17	Siciliano, Vince	1.25	review update cash flow; update conference call to discuss various matters - sales, cash flows, RBC; DIP loans terms
20-Jan-17	Iannilli, Franca	0.60	Prepare New File Folders
23-Jan-17	Naumis, Peter	3.00	Revisions and update to draft report. Continued discussions with management re: forecasts, secured creditors, DIP, etc. Receive and review DIP Term Sheet. Discussions with counsel.
23-Jan-17	Siciliano, Vince	0.75	Final Term Sheet - cash flow.
24-Jan-17	Naumis, Peter	1.50	Continued updates and discussions with management. Receipt and review of daily cash updates. Finalize draft form of report and circulate for review and comments. Review draft cash flows with daily cash receipt reconciliations.
24-Jan-17	Migus, Eugene	0.50	Review and edit draft report to court.
24-Jan-17	Siciliano, Vince	1.50	conference call to discuss various matter re filing NOI, review draft report.
25-Jan-17	Naumis, Peter	2.50	Correspondence with Debtor's counsel re: draft Trustee's report, comments, etc. Discussions with management re: draft cash flows, assumptions, etc. Reconcile opening bank line with position reported by company and daily updates provided. Further tailoring and amendments to Trustee's first report.
25-Jan-17	Siciliano, Vince	2.25	dealing with taking out the RBC; board resolution to file NOI; review draft report to court; conference call to discuss these matters.
26-Jan-17	Siciliano, Vince	2.20	conference call with professional team and management. Various communication re court application, court order , dealing with RBC, DIP loan and term sheet, BDC, cash requirements. Review changes to trustees report to court tcw Royal Bank of Canada; conference call with Leanne Williams DIP Lenders lawyer. Further communication re RBC change in position.

26-Jan-17	Naumis, Peter	3.00	Final draft cash flows to debtor for review and comment. Work with management to draft assumptions to cash flows. Amend/update draft NOI documents for anticipated sign up. Review creditor listing with management. Answer queries. Receive and review daily cash update. Review updated customer deposit list. Review amended affidavit of Mark Chamberlain.
26-Jan-17	Leung, Kevin	1.50	Forward creditor list to P. Naumis for review; discussion with P. Naumis re PPSA registrants; update creditor listing and amounts; review updated A/P listing from company; vet against creditor listing for material changes; revisions and inclusions to creditor listing, including updated amounts.
27-Jan-17	Leung, Kevin	0.70	Update creditors registry per updated A/P listing; update NOI sign up documents; update cash flow information in Ascend to verify contents for e-filing.
27-Jan-17	Siciliano, Vince	1.50	conference call with professional team and management. Various communication re court application, court order , dealing with RBC payout , DIP loan and term sheet & cash requirements; prepare email fro RBC; filing NOI.
27-Jan-17	Naumis, Peter	3.25	Amend, update and finalize Notice of Intention sign up documents. Circulate. File NOI. Call to OSB to expedite receipt of certificate. Discussions with counsel(s) and management. Finalize Trustee's First Report with updated information.
27-Jan-17	Iannilli, Franca	1.00	Scan the signed docs to the directory-Update and prepare to E-file docs-Stop-missing information-Update and e-file docs-Print Pending review-Respond to Peter's email and follow up phone call to the OSB- left message-Scan the Certificate to the directory
28-Jan-17	Naumis, Peter	1.00	Teleconference with management, Chaitons LLP and BDO.
30-Jan-17	Siciliano, Vince	1.75	conference call with professional team and management. Various communication re court application, court order , dealing with RBC, DIP loan and term sheet, BDC, cash requirements; finalize trustees report; directors charge; notice to creditors; communication with RBC.
30-Jan-17	Naumis, Peter	3.00	Receive and review motion material and draft order. Draft SISP outline and appendix for first report. Begin drafting marketing materials - outline, newspaper ad, etc.
30-Jan-17	Migus, Eugene	0.15	Discussion with Peter Naumis regarding marketing and sale process, court application; review and edit draft trustee's report.
31-Jan-17	Siciliano, Vince	0.50	Transf. from Siciliano, Vince 12/05/16 working on Pros16-SicM34 (2016-Prospective-34) - PV Labs- review financial information
31-Jan-17	Migus, Eugene	0.20	Transf. from Migus, Eugene 11/30/16 working on Pros16-SicM34 (2016-Prospective-34) - PV LABS INC. - conflict check; related communication with Chaitons LLP.
31-Jan-17	Migus, Eugene	2.50	Transf. from Migus, Eugene 12/05/16 working on Pros16-SicM34 (2016-Prospective-34) - PV LABS INC. - background information from Chaitons LLP (George Benchetrit); review financial projection prepared by the company; meeting with management and George Benchetrit.
31-Jan-17	Siciliano, Vince	1.60	conference call with professional team and management. Various communication re court application, court order , dealing with RBC, DIP loan and term sheet, BDC, cash requirements; review court order; communication with ken Kallish lawyer for RBC; communication with Steve Graff lawyer for BDC re admin fee, priority on DIP and employees.
31-Jan-17	Naumis, Peter	3.25	Reconciling daily cash updates with forecasted cash flows. Begin drafting marketing materials, newspaper ad, teaser, interested part shortlist, etc. Attend and participate on conference call.
31-Jan-17	Iannilli, Franca	1.50	Finalize the Notices-Printing Labels-prepare for mailings

1-Feb-17	Naumis, Peter	2.75	Review factum and material of Chaitons ahead of Feb 2 motion. Comments. Review WIP and accounting to date. Update to website, PV teaser. Discussions with Corporate Finance group, re: CIM, target list, sales process, etc. Correspondence with Pallett Valo re: RBC security, validity and enforceability thereof. Review for RBC security documents. Forward to Pallett Valo.
1-Feb-17	Leung, Kevin	2.00	Conduct contact search for CIM distribution.
1-Feb-17	Siciliano, Vince	1.25	conference call with Aird and Berlis sol for BDC; various correspondence with RBC and BDC and DIP lenders lawyers ; review revised court order.
1-Feb-17	Leung, Jessica	1.50	Making 88 copies of the NOI, packing them into envelopes and stamping the postage to be sent via Canada Post
1-Feb-17	Iannilli, Franca	2.00	Mailings-Labels-Prepare affidavit of mailing
2-Feb-17	Naumis, Peter	4.50	Attend court for Company's application for Sale Process Order, extension of time to file proposal, etc. Continue tailoring Teaser document. Discussions with Corporate Finance re: target list of people, CIM, teaser, etc. Conference call with Chaitons and PV Labs re: going forward. Circulate draft form of Confidentiality Agreement for comments.
2-Feb-17	Leung, Kevin	3.00	Continue conducting contact search for CIM distribution; review additional contacts provided by secured; populate list in Excel and request for contact information to be provided; correspondence with N. Kunysz re monitoring.
3-Feb-17	Finamore, Patrick	3.00	Buyers list
3-Feb-17	Naumis, Peter	3.50	Correspondence and discussions with corporate finance re: target list, revisions to teaser, suggested format and information for CIM. Call to and from management re: list of candidates, comments on teaser and newspaper advertisement. Finalize teaser. Review for contact emails for certain target list parties. Distribute teaser to identified parties.
3-Feb-17	Migus, Eugene	0.15	Review updated draft teaser document.
3-Feb-17	Leung, Kevin	2.00	Prepare website layout and contents; forward to IT to finalize and set up website.
3-Feb-17	Zahir, Farooq	7.50	Assist with the teaser and compiling buyers' list
4-Feb-17	Naumis, Peter	-	- Parking court February 2, 2017
4-Feb-17	Naumis, Peter	-	- Travel to and from court. - February 2, 2017
6-Feb-17	Leung, Kevin	-	- To and from premise for monitoring.
6-Feb-17	Naumis, Peter	4.00	Finalize newspaper ad, discussions with Globe & Mail re: price, etc. Finalize teaser. Circulate teaser to identified parties. Discussions with corporate finance group, Identify additional parties, CIM, etc. Continue drafting Confidential Information Memorandum. Discussions with counsel and management re: going forward, etc.
6-Feb-17	Leung, Kevin	4.20	Review undeliverable emails to potential interested parties; search for alternative emails and contacts; search for additional contact information for list provided by Secured; review monitoring worksheets provided by N. Kunysz; attend premises to meet with PV Lab's management for monitoring, obtain contacts of interested parties, and collect retainer cheque.
7-Feb-17	Siciliano, Vince	2.70	various discussions re CIM and Teaser

7-Feb-17	Naumis, Peter	3.50	Receipt and review of marked up Confidentiality Agreement ("CA") from Wescam. Discuss with PV Labs and counsel. Communicate amended CA with comments to Wescam for review and execution. Creditor enquiries re: NOI, status, etc. Calls and correspondence from interested parties, information and CA requests. Review marked up CA received from LOGOS Technologies. Discussions with LOGOS, workout concerns. Correspondence and instructions/update from Globe & Mail re: insertion date in National Edition and pricing. Finalize draft Confidential Information Memorandum and circulate from comments.
7-Feb-17	Dula, Lourdes	0.20	processed dep
7-Feb-17	Finamore, Patrick	3.00	CIM
8-Feb-17	Siciliano, Vince	1.00	review SIM and teaser
8-Feb-17	Naumis, Peter	3.00	Identification of additional target parties and circulation of "teaser". Correspondence with management re: newly identified candidates, further financial information, inventory assessments, etc. Discussions with corporate finance group re: process, CIM, target lists, etc. Revisions and update to CIM.
8-Feb-17	Leung, Kevin	3.00	Look up contact information for additional potential buyers from secured creditor and from PV Labs; update website; review bank statement and prepare comparison to NOI forecast.
8-Feb-17	Zahir, Farooq	1.00	CIM edits
8-Feb-17	Nusrath, Sayyida	2.00	Review and comments on CIM
9-Feb-17	Leung, Kevin	1.00	Complete monitoring activities and comparisons; update P. Naumis re RBC payout.
9-Feb-17	Finamore, Patrick	3.00	CIM preparation
10-Feb-17	Siciliano, Vince	2.00	prepare for and attend meeting with Mark and Ted to discussing.
10-Feb-17	Naumis, Peter	2.25	Correspondence with interested parties and receipt of executed confidentiality agreements. Circulate confidentiality agreement to requesting parties. Correspondence with various BDO partners enquiring about teaser sent. Receipt of CIM and comments from BDO corporate finance group. Review information from management and comment.
11-Feb-17	Naumis, Peter	-	Hwy 407 Charges for Jan 10, 12 and 15
13-Feb-17	Siciliano, Vince	1.25	finalize Came; various communication re final CIM package, inventory value , etc.
13-Feb-17	Naumis, Peter	2.75	Comments from Mark C. re: draft CIM circulated. Receive, review and discussions with management and counsel re: Lockheed license agreement and status thereof. Further work and updates on CIM with BDO corporate finance group. Correspondence with interested parties and responses from Globe and Mail newspaper advertisement.
13-Feb-17	Leung, Kevin	0.30	Discussion with P. Naumis re CIM; follow up with PV Labs re equipment listing and tangible assets reported in CIM; email from N. Kunysz re monitoring.
13-Feb-17	Finamore, Patrick	2.00	CIM edits
14-Feb-17	Siciliano, Vince	1.20	various discussion and communication with Benchetrit, Sachdeva; Naumis re LMCO Final License Agreement
14-Feb-17	Naumis, Peter	2.25	Further review of Lockheed Martin license agreement. Continued revisions and updates to CIM. Finalize CIM. Disseminate to those parties executing and submitting CA. Correspondence with Lockheed Martin. Correspondence with interested parties, answer queries.
14-Feb-17	Leung, Kevin	1.50	Update CIM; discussion with C. Porter re LOI; revise LOI to update requirements for LOI; send teasers; finalize CIM with finance team; review confidentiality agreements; send CIM to parties with signed CA's; correspondence from N. Kunysz re fixed assets.

14-Feb-17	Zahir, Farooq	4.50	Review CIM and make final edits before distribution
15-Feb-17	Naumis, Peter	2.00	Discussions with various interested parties re: process. Discussions with management and counsel to PV Labs. Discussions with counsel for L-3 and LMC re: Confidentiality Agreement, etc. Receipt of executed CA's. Circulate CIM.
15-Feb-17	Leung, Kevin	0.10	Forward Confidentiality Agreement to interested parties.
16-Feb-17	Siciliano, Vince	0.80	dealing with confidentiality agreement, data room requirements and perspective purchasers
16-Feb-17	Naumis, Peter	3.00	Numerous discussions with interested party in wording of CA, requested revisions, etc. Receipt of CA, circulate CIM. Discussions with group after reviewing CIM, answer queries, process, Canadian restructuring, etc. Assemble information requests for Data Room. Discussions and update to and with management and counsel. Creditor queries.
16-Feb-17	Leung, Kevin	0.50	Phone call from interest party, discussion re process, forward Confidentiality Agreement; finalize monitoring cash flow comparison.
17-Feb-17	Siciliano, Vince	-	email exchange with Roger Wilson BDC;
17-Feb-17	Naumis, Peter	3.00	Correspondence with secured creditor BDC. Correspondence with interested parties. Call with LMC counsel to workout concerns and answer questions. Finalize CA with LMC, circulate CIM.
17-Feb-17	Dula, Lourdes	0.10	bank rec
17-Feb-17	Zahir, Farooq	2.00	Information request list and data room setup
21-Feb-17	Siciliano, Vince	0.50	conference call mark Ted and George re sale process
21-Feb-17	Naumis, Peter	2.50	Receipt and review of Letter of Intent. Discussions with two separate groups advising they would not be proceeding in sales process, reasoning, etc. Ongoing discussions with interested parties. Discussion with Business Development Bank.
21-Feb-17	Leung, Kevin	0.50	Follow up with N. Kunysz re retainer; discussion with P. Naumis re same; generate invoice for Feb. 20 retainer payment.
22-Feb-17	Naumis, Peter	2.75	Work with BDO corporate finance re: data room, population and access. Receipt and review of Data Room documents filtering through from management. Correspondence from and to Sinclair Range, review, call to counsel to discuss. Receipt and review of LOI. Correspondence with interested parties.
22-Feb-17	Finamore, Patrick	1.50	Data room set up
23-Feb-17	Leung, Kevin	0.20	Forward NOI letter to N. Kunysz for records; email creditor requested NOI letter.
23-Feb-17	Finamore, Patrick	0.50	Data room set up
23-Feb-17	Naumis, Peter	2.50	Ongoing updates to Data Room. Correspondence with various interested parties. Ongoing discussions with Sinclair Range. Creditor query. Receipt and review of LOI. Call to interested party to discuss intentions, etc. Receipt and review of incoming data room documents from management. Communications with BDO corporate finance re: data room. Correspondence with counsel re: draft Asset Purchase Agreement and Approval and Vesting Order.
24-Feb-17	Leung, Kevin	0.10	Follow up with N. Kunysz re retainer.
24-Feb-17	Finamore, Patrick	0.50	Data room setup, invitations
24-Feb-17	Naumis, Peter	2.00	Correspondence with interested invited to Data Room and due diligence stage. Invite parties to Data Room. Receipt of further due diligence information, review and forward to corporation finance to populate Data Room. Queries to Mark Chamberlain. Review and comments on draft terms and conditions of offer letter.
24-Feb-17	Siciliano, Vince	0.75	tcw Steve Graff lawyer for BDC; communication re appraisal on inventory
27-Feb-17	Leung, Kevin	-	Trip to pick up retainer.
27-Feb-17	Dula, Lourdes	0.20	processed chq

27-Feb-17	Siciliano, Vince	1.00	update on LOI and APA; communication with Graff
27-Feb-17	Naumis, Peter	2.50	Review draft Asset Purchase Agreement, provide comments. Arrange for appraisal of inventory and tangible assets. Correspondence with Mark and Nancy. Conference call with George Benchetrit and Mark Chamberlain re: draft Asset Purchase Agreement. Arrange for additional invitees to Data Room from interested party. Further updates to Data Room inclusions. Query from interested party re: DIP, etc.
27-Feb-17	Leung, Kevin	0.50	Follow up with N. Kunysz re monitoring documents and retainer; attend premises to pick up retainer cheque.
28-Feb-17	Naumis, Peter	2.00	Revisions to Asset Purchase Agreement. Discussions with counsel re: comments. Correspondence from interested party re: additional Data Room access. Correspondence with corporate finance re: access to Data Room, and additional documents to upload. Correspondence with interested parties, queries. Follow up inviting access to tour facility and meet with management. Creditor query released equipment, proof of claim, etc.
28-Feb-17	Migus, Eugene	0.05	Approve cheque requisition(s) and/or sign cheque(s).
28-Feb-17	Siciliano, Vince	1.20	review APA; dealing with perspective purchasers
1-Mar-17	Leung, Kevin	0.50	Phone call with interested party; discussion re CIM and due diligence; follow up with N. Kunysz re monitoring data.
1-Mar-17	Siciliano, Vince	1.20	various communication re potential purchasers, issues with cash flow statements.
1-Mar-17	Naumis, Peter	2.50	Call to and from and discussions with Rivkin Asset Management re: SISP process, timing, general information on company, etc. Correspondence to and from Sinclair Range re: SISP, etc. Conference call with B. Sachdeva and G. Benchetrit re: draft form of Asset Purchase Agreement, comments, etc. Correspondence and update with Mark Chamberlain re: Wescam queries, etc. Follow up with Wescam.
1-Mar-17	Dula, Lourdes	0.20	processed dep
2-Mar-17	Naumis, Peter	2.75	Review reworked APA with comments added. Receive and review draft Approval and Vesting Order, provide comments. Conference call with G. Benchetrit, B. Sachdeva and V. Siciliano re: query from interested party on Lockheed Martin license agreement. Further review of agreement and ramifications, ownership, etc. Communication and update to and from interested party, answer queries. Correspondence with all interested parties re: updates to Data Room, draft APA and draft Approval and Vesting Order. Creditor correspondence.
2-Mar-17	Siciliano, Vince	1.25	various communication re: LMC license agreement; conference call to discuss same with professional group.
2-Mar-17	Finamore, Patrick	1.00	Data room invitations and maintenance
3-Mar-17	Siciliano, Vince	1.75	meeting to discuss cash flow and sales; review PV account; communication re L -3(Wescam) request for extension; conference call Saturday with professionals to discuss.
3-Mar-17	Leung, Kevin	1.20	Correspondence with PV Labs re payables and sales (existing and new); review chequing journal supplied by PV and reconcile to bank statement; update monitoring tracking sheet.
3-Mar-17	Naumis, Peter	1.75	Telephone discussions with interested party, requested extension to SISP, formal LOI, etc. Additional correspondence to and from party expressing interest in SISP and PV Labs assets. Discussions with Platinum Assets re: inventory appraisal. Follow up with management re: inventory count, timing, etc. Creditor correspondence. Receipt of proof of claim.
3-Mar-17	Migus, Eugene	0.05	Review and approve monthly bank reconciliation.

4-Mar-17	Naumis, Peter	1.00	Conference call with G. Benchetrit, B. Sachdeva and V. Siciliano re: recent interested parties requests, extension, etc.
6-Mar-17	Siciliano, Vince	1.25	various communication re: request from prospective purchaser for 10 day extension to submit a binding bid; review terms of SISP process.
6-Mar-17	Leung, Kevin	1.50	Vet schedule provided by PV to P. Naumis against monitoring schedule; update P. Naumis re comparisons; follow up with PV Labs for monitoring documents; vet bank statements and cash flow support; conduct monitoring activities using bank statements; obtain daily noon rates for USD conversion.
6-Mar-17	Naumis, Peter	1.50	Various correspondence with debtor's counsel re: extension of time to file, parameters, etc. Call and discussion with party requesting extension to discuss and request certain information to formalize their intent i.e.. nature of transaction, value inputted on transaction, timeline for due diligence, etc. Forward formal correspondence to potential bidder. Receipt and review of updated cash flow monitoring, revised cash flows forward looking, etc.
7-Mar-17	Siciliano, Vince	1.30	update conference call- Graff, Benchetrit; various communication re: terms for granting extension; review more detailed LOI from Wescam; communication with BDC.
7-Mar-17	Naumis, Peter	2.50	Conference call with G. Benchetrit (debtor counsel), S. Graff (BDC counsel) and V. Siciliano. Discuss extension requested by interested party. Terms of extension, requested information, etc. Correspondence with interested party. Call to other interested party to discuss due diligence completed to date, position, and potential offer. Receive and review updated cash flows from management going forward. Correspondence from additional party expressing interest in assets and requesting information re: timeline, etc. Creditor queries. Review Data Room access report.
7-Mar-17	Leung, Kevin	0.30	Review changes to original cash flow; follow up with PV Labs for contracts, payments, terms, etc.
8-Mar-17	Siciliano, Vince	2.20	review APA from DIP lender - Heersink; review APA from L3Technologies; LOI from Trakka; BDC inquiry
8-Mar-17	Leung, Kevin	0.10	Follow up with PV re requested documents and retainer.
8-Mar-17	Naumis, Peter	2.00	Dealing with requested extension to submit APA and interested parties. Correspondence to interested party re: Letter of Intent details, etc. Review updated cash flows to consider effects of potential APA submission deadline. Discussions and planning with counsel for Proposal Trustee and counsel for Company. Correspondence with additional party re: process, etc. Forward and receive Confidentiality Agreement.
9-Mar-17	Leung, Kevin	0.50	Correspondence with N. Kunysz re retainer; prepare invoice for March 6 and March 20 retainer; finalize letter to interested party.
9-Mar-17	Siciliano, Vince	1.75	conference call to discuss offers and response to request for extension; enquiry from Trakka re time necessary for due diligence; response to Wescam re request for extension of time negotiation between BDC and Heersink; further communication BDO Chaitons and PV re granting extensions to Wescam and Trakka.
9-Mar-17	Naumis, Peter	3.50	Conference call with Chaitons and Pallett Valo, review of Letter of Intent submitted and recent additional expression of interest from further party. Discuss extending APA deadline an additional 7 days. Review and analysis of cash flows and effect of extension, if any. Communication with bidder submitting offer re: offer, blackline, etc. Communication with interested parties re: extension. Draft and forward correspondence to party requesting extension, grant extension and advise of concerns.



10-Mar-17	Naumis, Peter	3.00	Correspondence with interested parties. Arrange facility tours and meeting with management. Correspondence with parties re: agenda, questions, etc. to facilitate meeting. Call with bidder, negotiate offer further, etc. Update with Company's counsel.
10-Mar-17	Siciliano, Vince	2.50	Talk with Benchetrit extension of time to submit offer; discussions with Naumis; meeting BDC and Adam Peaker from Heersink 's office re joining up BDC to Heersink offer; call to George re update on meeting.
10-Mar-17	Iannilli, Franca	0.45	Respond to Melissa- OSB-Update and e-file Court Report regarding the extension of date
10-Mar-17	Leung, Kevin	0.10	Follow up with N. Kunyz re meeting to review sale contracts.
14-Mar-17	Naumis, Peter	1.50	Correspondence and update with interested party, meeting with management, agenda, etc. Correspondence with PVLCC re: asset list, bidding, SISP, etc. Correspondence and update from party touring facility yesterday.
15-Mar-17	Leung, Kevin	1.00	Monitoring activities; review bank statement; reconcile bank transaction to cheque register; review PV Lab's cash flow tracking sheet; pull weekly USD exchange rate from Bank of Canada; update monitoring cash flow projection vs actual workbook; reconcile total cash balance including USD account.
15-Mar-17	Dula, Lourdes	0.20	processed dep
15-Mar-17	Naumis, Peter	2.00	Correspondence with party enquiring on status of SISP, sale, timeline, etc. Call to and update with Company counsel. Correspondence with management re: amended forecasts, contracts secured post filing, etc. Discussions and update to and from Nancy.
15-Mar-17	Finamore, Patrick	0.50	Data room maintenance
16-Mar-17	Leung, Kevin	0.10	Follow up with PV re contracts, HST, and source deductions.
17-Mar-17	Dula, Lourdes	0.10	bank rec
		<u>249.35</u>	

# APPENDIX 'E'

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY**

**IN THE MATTER OF THE PROPOSAL OF PV LABS INC.  
OF THE CITY OF BURLINGTON,  
IN THE REGIONAL MUNICIPALITY OF HALTON,  
IN THE PROVINCE OF ONTARIO**

**AFFIDAVIT OF WOJTEK JASKIEWICZ  
(Sworn on March 22, 2017)**

I, WOJTEK JASKIEWICZ, of the City of Mississauga, in the Regional Municipality of Peel, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am an Associate at Pallett Valo LLP (“PV”), solicitors for BDO Canada Ltd., in its capacity as Proposal Trustee (the “Trustee”) in these proceedings and, as such, I have knowledge of the facts and matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

1. Attached hereto and marked as **Exhibit “A”** are detailed invoices issued to the Trustee by PV for fees and disbursements incurred by PV in the course of the Proposal of PV Labs Inc. between January 17, 2017 and March 15, 2017 (the “**Invoices**”).

2. The Invoices are a fair and accurate description of the services provided and the amounts charged by PV.

3. Attached hereto and marked as **Exhibit "B"** is a schedule summarizing each invoice in Exhibit "A", the total billable hours charged per invoice, the total fees charged per Invoice and the average hourly rate charged per Invoice.

4. Attached hereto and marked as **Exhibit "C"** is a schedule summarizing the billing rates and year of call for each lawyer that has completed work on this file between January 17, 2017 and March 15, 2017.

5. I make this affidavit in support of a motion by the Receiver.

SWORN before me at the City of Mississauga in the Province of Ontario, this 22<sup>nd</sup> day of March, 2017.



Commissioner for Taking Affidavits

Manpreet Brar



WOJTEK JASKIEWICZ

This is Exhibit "A" referred to in the Affidavit of Wojtek Jaskiewicz  
sworn March 22, 2017



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*Commissioner for Taking Affidavits (or as may be)*

Manpreet Brar

# **EXHIBIT “A”**

## **Detailed Invoices**

FILE NO.: 17123-77214  
February 28, 2017

STATEMENT NO.: 176572

BDO Canada Limited  
Vince Siciliano  
1 City Centre Drive, Suite 1040  
Mississauga, Ontario  
L5B 1M2  
Canada

RE: PV Labs Inc. (Proposal of)

**TO OUR PROFESSIONAL SERVICES RENDERED ON YOUR BEHALF** in connection  
with the above-noted matter for the period ending February 28, 2017 including the following:

**SUMMARY OF ACCOUNT**

January 17, 2017	BHS	Preliminary review of documents received from George Benchetrit re various security docs.	0.70	\$	416.50
January 19, 2017	BHS	Review draft order provided by George Benchetrit and discuss same with the Proposal Trustee and provide comments to PV Labs' counsel.	0.20	\$	119.00
January 19, 2017	BHS	Receipt and review of draft Affidavit of Chamberlain on behalf of the Debtor.	0.30	\$	178.50
January 20, 2017	BHS	Telephone call with Peter Naumis and Vince Siciliano; Conference call with Vince Siciliano, Peter Naumis and George Benchetrit re various issues and next actions.	0.30	\$	178.50
January 23, 2017	BHS	Receipt of DIP Term Sheet and discuss same with the Proposal Trustee.	0.20	\$	119.00
	BHS	Review and revise draft First Report of the	0.60	\$	357.00

January 25, 2017		Proposal Trustee and provide comments to Peter Naumis; Review email and draft directors resolution and provide comment son same to Peter Naumis.			
January 31, 2017	WJA	Telephone conference with B. Sachdevare preparing a security opinion; Email correspondence with P. Naumis and G. Benchetrit re RBC's security documents.	0.50	\$	180.00
January 31, 2017	BHS	Telephone calls and emails with Peter Naumis re various issues including revisions to draft Order sought by RBC and BDC and opinion required for RBC security; Review emails from counsel from BDC and counsel for RBC re draft order and various issues/questions; Emails with counsel for RBC; Discussions with George Benchetrit re various issues including revisions to draft Order and security opinion for RBC security; Telephone call width associate (Wojtek) re security opinion for the Trustee re RBC security and next steps; Review draft Factum of the Debtor and provide comments to the counsel for the Debtor.	1.20	\$	714.00
February 1, 2017	WJA	Reviewing security documents from RBC.	1.70	\$	612.00
February 1, 2017	BHS	Conference call with Debtor's counsel, BDO Canada reps and counsel for BDC; Exchange of emails width BDO and review emails from BDC's counsel and Debtor's counsel; Discussion with associate re security opinion to be produced to the Trustee and timing for same.	1.10	\$	654.50
February 1, 2017	BHS	Prepare for motion returnable on February 2, 2017; Review email from Peter Naumis re cash flows.	0.80	\$	476.00
February 1, 2017	BHS	Review draft factum and provide comments to George Benchetrit.	0.20	\$	119.00
	BHS	Emails and telephone call with George Benchetrit in advance of attendance; Telephone and emails with Graham Phoenix in advance of court attendance; Attended on motion in Commercial Court; Email to	1.50	\$	892.50



February 2, 2017		Graham Phoenix requesting names of parties to whom the Trustee should send a teaser re sale or investment; Review email from Peter Naumis.			
February 3, 2017	BHS	Review emails from Peter Naumis and the Company.	0.10	\$	59.50
February 4, 2017	BHS	Review confidentiality agreement and provide comments to Peter Naumis; Review draft Newspaper advertisement and comments on same; Review various emails.	0.30	\$	178.50
February 4, 2017	BHS	Review draft Confidentiality Agreement and provide comments.	0.30	\$	178.50
February 7, 2017	BHS	Review and revise CIM; Email to Peter Naumis providing comments and raising issues with respect to a few points in the CIM.	0.80	\$	476.00
February 8, 2017	WJA	Email correspondence with P. Naumis re the RBC security opinion.	0.10	\$	36.00
February 8, 2017	BHS	Review revised form of CIM and a number of emails from Peter Naumis and counsel for the Debtor.	0.40	\$	238.00
February 10, 2017	BHS	Review number of emails from Debtor, Debtor's counsel and Peter Naumis. Review revised form of Confidentiality Agreement and discuss same with Peter Naumis.	0.50	\$	297.50
February 12, 2017	WJA	Reviewing the security documents; Email to G. Benchetrit re the security agreement.	0.50	\$	180.00
February 13, 2017	WJA	Telephone conference with P. Naumis re the security opinion and secured creditors holding PMSIs.	0.30	\$	108.00
February 13, 2017	BHS	Review agreement between LMCO and Debtor, discuss with Peter Naumis and Vince Siciliano; Email to George Benchetrit re LMCO agreement and comments re termination of the LMCO Agreement.	1.00	\$	595.00
February 13, 2017	BHS	Discussion with associate.	0.20	\$	119.00
February 14, 2017	BHS	Conference call with Vince Siciliano, Peter Naumis and George Benchetrit re various issues.	0.30	\$	178.50
	BHS	Number of emails and telephone calls with	0.80	\$	476.00

February 16, 2017		Peter Naumis and Vince Siciliano re Confidentiality agreement and the license agreement with LMCO.			
February 17, 2017	BHS	Review LMC mark up of the Confidentiality Agreement and provide revisions and comments to Peter Naumis; Emails and telephone calls with Peter Naumis re Confidentiality Agreement before and after his call with LMC; Telephone calls and emails with Peter Naumis re various issues re lead up to data room.	1.20	\$	714.00
February 21, 2017	BHS	Review emails from the Company's principals and Peter Naumis.	0.10	\$	59.50
February 22, 2017	BHS	Review emails re Sinclair Range interest.	0.10	\$	59.50
February 24, 2017	BHS	Review BDO Offer document and provide comments to Peter Naumis ire same.	0.50	\$	297.50
February 28, 2017	BHS	Review draft Agreement of Purchase and Sale and provide comments to Peter Naumis.	0.40	\$	238.00
TOTAL FEES				\$	9,505.50

**OUR FEE** (subject to HST) \$ 9,505.50

**FEE SUMMARY**

Initials	Name	Hours	Billing Rate	Amount
WJA	Wojtek Jaskiewicz	3.10	\$ 360.00	\$ 1,116.00
BHS	Bobby H. Sachdeva	14.10	\$ 595.00	\$ 8,389.50

**DISBURSEMENTS** (\*\*subject to HST)

Agents Fee **	\$	80.00	
Courier **	\$	103.19	
Korbitec Inc. **	\$	20.00	
Photocopies/Printing **	\$	115.75	
<b>Total Disbursements</b>	<b>\$</b>		<b><u>318.94</u></b>

Total HST on Fees and Disbursements	\$	1,277.18
<b>Total Fees, Disbursements and HST</b>	<b>\$</b>	<b>11,101.62</b>

**THIS IS OUR ACCOUNT HEREIN  
PALLETVALOLLP**

**Per:** Bobby H. Sachdeva

Payment due upon receipt

**Visa and Mastercard are accepted**

**REMITTANCE COPY - PLEASE RETURN WITH PAYMENT**

BDO Canada Limited  
Vince Siciliano  
1 City Centre Drive, Suite 1040  
Mississauga, Ontario  
L5B 1M2  
Canada

File No.: 17123-77214  
Statement No.: 176572  
February 28, 2017  
Bobby H. Sachdeva

RE: PV Labs Inc. (Proposal of)

**TOTAL THIS INVOICE:**

Total fee	\$	9,505.50
Total disbursements	\$	<u>318.94</u>
Total fee and disbursement	\$	9,824.44
Total HST on Fees and Disbursements	\$	1,277.18

**TOTAL DUE AND OWING TO PALLETT VALO LLP** \$ **11,101.62**

You can use your MASTERCARD or VISA to pay this bill. Simply fill in the information below and return the same to our office.



Credit Card Number: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Amount: \_\_\_\_\_

Card Holder Name: \_\_\_\_\_

Card Holder Signature: \_\_\_\_\_

Please return completed form by mail or fax to (905) 273-6920. Thank you.

**PAYMENT DUE UPON RECEIPT OF INVOICE**

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FILE NO.: 17123-77214  
March 22, 2017

STATEMENT NO.: 176776

BDO Canada Limited  
Vince Siciliano  
1 City Centre Drive, Suite 1040  
Mississauga, Ontario  
L5B 1M2  
Canada

RE: PV Labs Inc. (Proposal of)

**TO OUR PROFESSIONAL SERVICES RENDERED ON YOUR BEHALF** in connection  
with the above-noted matter for the period ending March 15, 2017 including the following:

**SUMMARY OF ACCOUNT**

March 1, 2017	BHS	Telephone call with George Benchetrit and Peter Naumis to discuss Offer document and revisions to the APS document.	0.30	\$	178.50
March 2, 2017	BHS	Conference calls with Vince Siciliano, Peter Naumis and George Benchetrit re Martin Lockheed.	0.60	\$	357.00
March 4, 2017	BHS	Review emails from Vince Siciliano, Peter Naumis and George Benchetrit; Conference call with Vince Siciliano, Peter Naumis, George Benchetrit and Principals of the Debtor re request for extension of deadline to submit an offer from an interested party.	0.70	\$	416.50
	BHS	Telephone call with Vince Siciliano and Peter Naumis to discuss recent developments re sales process and contacts with potential purchasers; Conference call with George Benchetrit, Vince Siciliano and Peter Naumis	0.80	\$	476.00

March 9, 2017

re issues with respect to various interested parties, requests for extensions and forms of offers.

TOTAL FEES \$ 1,428.00

**OUR FEE** (subject to HST) \$ 1,428.00

**FEE SUMMARY**

Initials	Name	Hours	Billing Rate	Amount
BHS	Bobby H. Sachdeva	2.40	\$ 595.00	\$ 1,428.00

**DISBURSEMENTS** (\*\*subject to HST)

Parking**	\$	7.08	
<b>Total Disbursements</b>			\$ <u>7.08</u>

Total HST on Fees and Disbursements \$ 186.56

**Total Fees, Disbursements and HST** \$ **1,621.64**

**THIS IS OUR ACCOUNT HEREIN  
PALLET VALOLLP**

**Per:** Bobby H. Sachdeva

**Payment due upon receipt**

**Visa and Mastercard are accepted**

**REMITTANCE COPY - PLEASE RETURN WITH PAYMENT**

BDO Canada Limited  
Vince Siciliano  
1 City Centre Drive, Suite 1040  
Mississauga, Ontario  
L5B 1M2  
Canada

File No.: 17123-77214  
Statement No.: 176776  
March 15, 2017  
Bobby H. Sachdeva

RE: PV Labs Inc. (Proposal of)

TOTAL THIS INVOICE:

Total fee	\$	1,428.00
Total disbursements	\$	<u>7.08</u>
Total fee and disbursement	\$	1,435.08
Total HST on Fees and Disbursements	\$	186.56

TOTAL DUE AND OWING TO PALLETT VALO LLP \$ 1,621.64

You can use your MASTERCARD or VISA to pay this bill. Simply fill in the information below and return the same to our office.



Credit Card Number: \_\_\_\_\_

Expiration Date: \_\_\_\_\_

Amount: \_\_\_\_\_

Card Holder Name: \_\_\_\_\_

Card Holder Signature: \_\_\_\_\_

Please return completed form by mail or fax to (905) 273-6920. Thank you.

**PAYMENT DUE UPON RECEIPT OF INVOICE**



This is Exhibit "B" referred to in the Affidavit of Wojtek Jaskiewicz  
sworn March 22, 2017



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*Commissioner for Taking Affidavits (or as may be)*

Manpreet Brar

## EXHIBIT "B"

Calculation of Average Hourly Billing Rates of  
Pallett Valo LLP  
for the period January 17, 2017 and March 15, 2017

Invoice No.	Fees	Disbursements	HST	Hours	Average Hourly Rate	Total
176572	\$9,505.50	\$318.94	\$1,277.18	17.20	\$552.65	\$11,101.62
176776	\$1,428.00	\$7.08	\$186.56	2.40	\$595.00	\$1,621.64
<b>TOTAL</b>	<b>\$10,933.50</b>	<b>\$326.02</b>	<b>\$1,463.74</b>	<b>19.60</b>	<b>\$557.83</b>	<b>\$12,723.26</b>

This is Exhibit "C" referred to in the Affidavit of Wojtek Jaskiewicz  
sworn March 22, 2017



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*Commissioner for Taking Affidavits (or as may be)*

Manpreet Brar

## EXHIBIT "C"

### Billing Rates of Pallet Valo LLP

For the period January 17, 2017 and March 15, 2017

	<u>Rate</u>	<u>Year of Call</u>
Bobby Sachdeva	\$595.00	1993
Wojtek Jaskiewicz	\$360.00	2004

IN THE MATTER OF THE PROPOSAL OF PV LABS INC.  
OF THE CITY OF BURLINGTON,  
IN THE REGIONAL MUNICIPALITY OF HALTON,  
IN THE PROVINCE OF ONTARIO

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**IN BANKRUPTCY**

**FEE AFFIDAVIT OF WOJTEK JASKIEWICZ**

**PALLET VALO LLP**

Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower, Suite 300  
Mississauga, Ontario  
L5B 1M5

**BOBBY H. SACHDEVA (LSUC #34454C)**

Tel: (905) 273-3300

Fax: (905) 273-6920

Lawyers for the Proposal Trustee, BDO Canada Limited

# **CONFIDENTIAL APPENDIX '1'**

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

TO THE SECOND REPORT OF  
BDO CANADA LIMITED IN ITS CAPACITY AS THE PROPOSAL TRUSTEE  
PV LABS INC. AND NOT IN ITS PERSONAL CAPACITY

FILED SUBJECT TO REQUEST FOR SEALING ORDER

# **CONFIDENTIAL APPENDIX '2'**

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

TO THE SECOND REPORT OF  
BDO CANADA LIMITED IN ITS CAPACITY AS THE PROPOSAL TRUSTEE  
PV LABS INC. AND NOT IN ITS PERSONAL CAPACITY

FILED SUBJECT TO REQUEST FOR SEALING ORDER

# **CONFIDENTIAL APPENDIX '3'**

District of Ontario  
Division No. 07-Hamilton  
Court File No. 32-2211776  
Estate No. 32-2211776

*ONTARIO*  
SUPERIOR COURT OF JUSTICE  
IN BANKRUPTCY

TO THE SECOND REPORT OF  
BDO CANADA LIMITED IN ITS CAPACITY AS THE PROPOSAL TRUSTEE  
PV LABS INC. AND NOT IN ITS PERSONAL CAPACITY

FILED SUBJECT TO REQUEST FOR SEALING ORDER