

BELLAIR VENTURES INC.

as the "Purchaser"

- and -

R. DIBATTISTA INVESTMENTS INC.

as the "Vendor"

- and -

KNR MANAGEMENT INC.

as the "Corporation"

TRANSACTION AGREEMENT

February 1, 2011

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TRANSACTION AGREEMENT

Transaction Agreement dated February 1, 2011 among Bellair Ventures Inc. (the **"Purchaser"**), R. DiBattista Investments Inc. (the **"Vendor"**) and KNR Management Inc. (the **"Corporation"**).

ARTICLE 1 INTERPRETATION

Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

"Accounts Receivable" means all accounts receivable, notes receivable and other debts due or accruing due to the Corporation or the Subsidiaries, as applicable.

"Acquisition" has the meaning specified in Section 3.1.

"Agreement" means this transaction agreement.

"Ancillary Agreements" means all agreements, certificates and other instruments delivered or given pursuant to this Agreement.

"Appraisal Report" means the machinery and equipment summary appraisal report addressed to Keele North Recycling Inc. dated December 15, 2010 prepared by JLG Appraisal Services Inc. with respect to certain property and assets of Keele North Recycling Inc.

"Assets" means (i) as of the date of this Agreement, all property and assets of each of the Corporation and the Subsidiaries of every nature and kind and wheresoever situate, including, without limitation, all such property and assets specifically referred to in, or referenced in the preparation of, the Appraisal Report and (ii) as of the Closing, all property and assets of each of the Corporation and the Subsidiaries of every nature and kind and wheresoever situate, including, without limitation, the assets described in (i), above, and the WEC Assets.

"Authorization" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person.

"Bellair Shares" means the common shares in the capital of Purchaser.

"Books and Records" means all information in any form in the possession or control of the Vendor or the Corporation relating to the Business, including books of account, financial and accounting information and records, personnel records, tax records, sales and purchase records, customer and supplier lists, lists of potential customers, referral sources, research and development reports and records, production reports and records, equipment logs, operating guides and manuals, business reports, plans and projections, marketing and advertising materials and all

other documents, files, correspondence and other information (whether in written, printed, electronic or computer printout form, or stored on computer discs or other data and software storage and media devices).

"Buildings and Fixtures" means all plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment) situate on the Leased Property.

"Business" means the business of the Corporation and the Subsidiaries, being the operation of a waste transfer and recycling facility (which, prior to the Closing Date is operated as agent to SF Partners Inc. as court appointed receiver of the assets of Waste Excellence Corporation), waste bin hauling and disposal services, construction demolition and remediation services and fire and safety monitoring services.

"Business Day" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario.

"Cash Security" means the sum of \$100,000 to be provided to the MOE as security in respect of the Certificate of Approval.

"Certificate of Approval" means the Certificate of Approval Number A 230634 governing the operation of a waste disposal site at 10525 Keele Street, in the City of Vaughan, in the Regional Municipality of York L6A 1R7, as the same may be amended, modified, extended, renewed, replaced, restated, or supplemented by the MOE, to be conveyed or assigned by the MOE in favour of 2260225 Ontario Inc., on terms satisfactory to the Vendor and Purchaser, each acting reasonably.

"Closing" means the completion of the Acquisition.

"Closing Date" means the date which is at least seven (7) Business Days (but no greater than twenty (20) Business Days) following filing on SEDAR of the Filing Statement (including any material amendments thereto), and in any event no later than February 24, 2011 or such other date as the Parties may agree and the Exchange may permit.

"Closing Working Capital Statement" has the meaning specified in Section 3.4(4) or Section 3.4(5), as the case may be.

"Compensation Agreements" means the agreements for Compensation Shares among the Purchaser, the Corporation and certain employees, consultants and other private placement subscribers of the Corporation.

"Compensation Shares" means the common shares in the capital of the Corporation to be issued immediately prior to the Closing pursuant to the Compensation Agreements.

“Contract” means any agreement, contract, licence, undertaking, engagement or commitment of any nature, written or oral.

“Corporation” means KNR Management Inc., a corporation incorporated under the laws of Ontario.

“Corporation Financial Statements” means the audited consolidated financial statements of the Corporation and/or its Subsidiaries, as the case may be, for the fiscal year ending June 30, 2010, consisting of a balance sheet and the accompanying statements of income, retained earnings and changes in financial position for the year then ended and all notes thereto, together with a report of the auditors, EvansMartin LLP, Chartered Accountants.

“Corporate Records” means the corporate records (including all constating documents and by-laws, all minutes of meetings and resolutions of shareholders and directors (and any committees), and the share certificate books, securities register, register of transfers and register of directors) of (i) each of the Corporation and the Subsidiaries, or (ii) the Purchaser, as the context requires.

“Damages” means any losses, liabilities, damages or expenses (including legal fees and expenses without reduction for tariff rates or similar reductions) whether resulting from a Third Party Claim or a Direct Claim, but: (a) excludes any contingent liability until it becomes actual, and (b) shall be reduced by any recovery, settlement or other amount received under or pursuant to any insurance coverage or pursuant to any recovery from or payment by any other Person in relation to such Third Party Claim or Direct Claim, as the case may be.

“DiBattista Note” means the secured promissory note of the Corporation granted in favour of Romeo DiBattista Sr. in the principal amount of \$400,000.

“Direct Claim” means any cause, matter, thing, act, omission or state of facts not involving a Third Party Claim which entitles an Indemnified Person to make a claim for indemnification under this Agreement.

“Disclosure Letter” means the disclosure letter dated the date of this Agreement and delivered by the Vendor to the Purchaser with this Agreement.

“Draft Working Capital Statement” has the meaning specified in Section 3.4(1).

“Employee Plans” means any employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, change of control, pension, retirement, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, disability, life insurance and similar plans, programmes, arrangements or practices relating to the current or former directors, officers or employees of the Corporation or the Subsidiaries maintained, sponsored or funded by the Corporation and the Subsidiaries, whether written or oral, funded or unfunded, insured or self-insured, registered or unregistered under which the Corporation or the Subsidiaries may have any liability, contingent or otherwise.

"Escrow Agent" means Equity Financial Trust Company, or its successors or permitted assigns.

"Exchange" means the TSX Venture Exchange.

"Filing Statement" means the filing statement relating to the Acquisition prepared in accordance with the Exchange's Form 3B2 – *Information Required in a Filing Statement for a Qualifying Transaction*.

"Financing" means the commitment from the Toronto-Dominion Bank or other financial institution, for the advance or availability of at least \$2,250,000, in the form of a loan or line of credit, secured against the assets of the Corporation and/or one or more of the Subsidiaries, and on such other terms and conditions satisfactory to the Parties, acting reasonably.

"GAAP" means generally accepted accounting principles as set out in the Canadian Institute of Chartered Accountants Handbook-Accounting, at the relevant time applied on a consistent basis.

"Governmental Entity" means (i) any international, multinational, national, federal, provincial, state, county, municipal, local or other governmental or public department, central bank, court, minister, governor-in-council, cabinet, commission, board, bureau, agency, commissioner, tribunal or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any stock exchange and (iv) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

"Guarantee and Indemnity" has the meaning specified in Section 7.3(d)(v).

"Indemnified Person" means a Person with indemnification rights or benefits under Section 10.3 or Section 10.4, or otherwise under this Agreement.

"Indemnifying Party" means a Party against which a claim may be made for indemnification under this Agreement, including pursuant to Article 10.

"Intellectual Property" means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and

logos, and the goodwill associated with any of the foregoing; (vii) Software; and (viii) any other intellectual property and industrial property.

“Interim Balance Sheet Date” means September 30, 2010.

“Interim Financial Statements” means the unaudited consolidated financial statements of the Corporation and/or its Subsidiaries, as the case may be, as at the Interim Balance Sheet Date consisting of a balance sheet and the accompanying unaudited statement of income of the Corporation and/or its Subsidiaries, as the case may be, for the 3 month period then ended and all notes in respect thereof.

“Interim Period” means the period between the close of business on the date of this Agreement and the earlier of the Closing Date or the termination of this Agreement in accordance with its terms.

“KNR Group” means The KNR Group Inc., a wholly-owned subsidiary of the Corporation.

“Laws” means any and all applicable present (i) laws, constitutions, treaties, statutes, ordinances, orders, decrees, regulations, instruments and by-laws, (ii) judgments, orders, writs, injunctions, decisions, awards and directives of any Governmental Entity and (iii) legally binding codes, rules, policies, guidelines, notices and protocols of any Governmental Entity.

“Leased Property” means the lands and premises located at 10525 Keele Street, Maple, Ontario.

“Lease” means the lease to be made among 2262038 Ontario Ltd. and SF Partners Inc. as the court appointed receiver of Waste Excellence Corporation pursuant to or as part of the Pre-Closing Reorganization with respect to the Leased Property.

“Lease Assumption Agreement” means the agreement to be made by 2262038 Ontario Ltd. and the Corporation or one of its Subsidiaries as of the Closing Date with respect to the Leased Property, whereby the obligations of the tenant under the Lease are to be assumed by the Corporation or one of its Subsidiaries.

“Letter of Credit” means the \$342,000 letter of credit provided to the MOE as security in respect of the Certificate of Approval.

“Letter of Credit Side Letter” means the agreement between Romeo DiBattista Sr., the Purchaser, and the Corporation with respect to the replacement of the Letter of Credit by the Purchaser and the Corporation, payment of the Cash Security, and the indemnification obligations due by the Purchaser to Romeo DiBattista Sr. with respect to the foregoing.

“Lien” means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), easement, title retention agreement or arrangement, conditional sale, deemed or statutory trust, restrictive covenant or other

encumbrance of any nature which, in substance, secures payment or performance of an obligation.

“Loan” means the amended and restated demand promissory note dated April 23, 2009 of DiBattista Industries Inc., an affiliate of the Vendor, granted in favour of the Purchaser in the principal amount of \$225,000.

“Material Adverse Change” means, in respect of the Corporation and the Subsidiaries or the Purchaser, as the context requires, any material adverse change in the business, affairs, prospects, operations, assets, liabilities or condition of the Corporation and the Subsidiaries, or the Purchaser, as the case may be, except to the extent that such change results, as applicable, from (i) changes in general, local, domestic, foreign or international economic conditions, (ii) changes affecting generally the industry or markets in which the Corporation and the Subsidiaries operate, (iii) any changes in applicable Laws or accounting rules or principles, (iv) any other action required by this Agreement or (v) the announcement of the transactions set out in this Agreement.

“material change” has the meaning specified in the Securities Act.

“material fact” has the meaning specified in the Securities Act.

“MOE” means the Ministry of the Environment for the Province of Ontario.

“Notice” has the meaning specified in Section 12.1.

“November Reorganization” means the internal reorganization of the Corporation and the Subsidiaries completed as at November 29, 2010 pursuant to which KNR Equipment Inc., 2260225 Ontario Inc., Keele North Recycling Inc., KNR Services Ltd. and KNR Group became wholly-owned subsidiaries of the Corporation.

“Ordinary Course” means, with respect to an action taken by a Person, that such action is consistent with the past practices of the Person and is taken in the ordinary course of the normal day-to-day operations of the Person.

“Parties” means the Purchaser, the Vendor and the Corporation and any other Person who may become a party to this Agreement.

“Permitted Liens” means, in respect of the Corporation or any Subsidiary, as applicable, any one or more of the following:

- (a) Liens for Taxes which are not delinquent;
- (b) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of the construction, maintenance, repair or operation of the Assets, provided that such Liens are related to obligations not due or delinquent, are not registered

against title to any Assets and in respect of which adequate holdbacks are being maintained as required by applicable Law;

- (c) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Corporation or any Subsidiary, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition of their continuance; and
- (d) Liens to be granted by the Corporation or the Subsidiaries in connection with the Financing or the Pre-Closing Reorganization, including Liens to secure the repayment of the DiBattista Note.

“Person” means a natural person, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity, and pronouns have a similarly extended meaning.

“Policy” means each of the applicable by-laws, rules, regulations and policies of the Exchange, including, without limitation, Policy 2.4 – *Capital Pool Companies*.

“Pre-Closing Reorganization” means the transactions and/or reorganization described in the PricewaterhouseCoopers LLP letter dated January 31, 2010, including the attachments thereto, addressed to the Vendor, a copy of which having been provided to the Purchaser, to be completed by the Vendor, the Corporation, KNR Group and/or the Subsidiaries, as the case may be prior to the Closing Date.

“Private Placement” means the brokered private placement offering and sale by the Purchaser of Units for aggregate gross proceeds of at least \$500,000.

“Private Placement Shares” means, subject to Exchange approval, the Bellair Shares to be issued to subscribers pursuant to the Private Placement.

“Public Statement” has the meaning specified in Section 12.4.

“Purchase Price” has the meaning specified in Section 3.2.

“Purchased Shares” means all of the issued and outstanding shares of the Corporation, except for any Compensation Shares issued and outstanding immediately prior to the Closing.

“Purchaser” means Bellair Ventures Inc., a capital pool company listed on the Exchange and incorporated under the laws of Canada.

“Qualifying Transaction” has the meaning given to such term in the Policy, and with respect to the Purchaser, means the Acquisition.

“Reorganizations” means the November Reorganization and the Pre-Closing Reorganization.

“Securities Act” means the Securities Act (Ontario) and the regulations thereto, as may be amended from time to time.

“SEDAR” means the System for Electronic Document Analysis and Retrieval and its website maintained by CDS Inc. at www.sedar.com.

“Software” means computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs.

“Statement of Obligations” has the meaning set forth at Section 3.3(c)(ii).

“Statements” means the Corporation Financial Statements and the Interim Financial Statements.

“Subsidiaries” means, collectively, the following direct, wholly-owned subsidiaries of the Corporation: Keele North Recycling Inc., KNR Services Ltd., 2260225 Ontario Inc. and KNR Equipment Inc., each incorporated under the laws of Ontario.

“Subsidiary Shares” means all of the issued and outstanding shares of each of the Subsidiaries and KNR Group.

“Tax Act” means the *Income Tax Act*, R.S.C. 1985 (5th Supp.) c.1, as amended.

“Tax Returns” means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

“Taxes” means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers’ compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (ii) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i)

or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

“Third Party Claim” means any action, suit, proceeding, arbitration, claim or demand that is instituted or asserted by a third party, including a Governmental Entity, against an Indemnified Person which entitles the Indemnified Person to make a claim for indemnification under this Agreement.

“TSXV Escrow Agreement” means the escrow agreement to be entered into in connection with the completion of the Acquisition among certain shareholders of the Purchaser, the Purchaser and the Escrow Agent pursuant to the Policy.

“Unit” means one Private Placement Share and one half of one Warrant issuable pursuant to the Private Placement at a subscription price of \$0.50 per unit.

“Vendor” means R. DiBattista Investments Inc., a corporation incorporated under the laws of Ontario.

“Warrant” means each whole share purchase warrant to be issued to subscribers pursuant to the Private Placement, each such warrant entitling the holder thereof to acquire one Bellair Share at an exercise price of \$0.75 within 24 months from the date of issuance (such exercise price subject to adjustment prior to the completion of the Private Placement with the prior approval of the Exchange).

“WEC Assets” means, collectively, the Certificate of Approval and such other assets as may be acquired by the Corporation and/or the Subsidiaries, as the case may be, from SF Partners Inc., as receiver of Waste Excellence Corporation.

“Working Capital” means the amount by which the current consolidated assets of the Corporation, each Subsidiary and KNR Group (including any cash and Accounts Receivable but excluding all tax assets), as applicable, exceed the current consolidated liabilities of the Corporation, each Subsidiary and KNR Group (including any accounts payable but excluding all tax liabilities), as applicable.

“Working Capital Amount” has the meaning specified in Section 3.5(1).

Section 1.2 Gender and Number.

Any reference in this Agreement or any Ancillary Agreement to gender includes all genders. Words importing the singular number only include the plural and vice versa.

Section 1.3 Headings, etc.

The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect its interpretation.

Section 1.4 Currency.

All references in this Agreement or any Ancillary Agreement to dollars, or to \$ are expressed in Canadian currency unless otherwise specifically indicated.

Section 1.5 Certain Phrases, etc.

In this Agreement and any Ancillary Agreement (i) the words **"including"**, **"includes"** and **"include"** mean **"including (or includes or include) without limitation"**, and (ii) the phrase **"the aggregate of"**, **"the total of"**, **"the sum of"**, or a phrase of similar meaning means **"the aggregate (or total or sum), without duplication, of"**. Unless otherwise specified, the words **"Article"** and **"Section"** followed by a number mean and refer to the specified Article or Section of this Agreement. In the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word **"from"** means **"from and including"** and the words **"to"** and **"until"** each mean **"to but excluding"**.

Section 1.6 Knowledge.

Any reference herein expressly to the knowledge of the Purchaser will be deemed to mean the actual knowledge of the chief executive officer of the Purchaser after due and diligent inquiry. Any reference herein expressly to the knowledge of the Vendor and/or the Corporation will be deemed to mean the actual knowledge of Romeo DiBattista Jr. after due and diligent inquiry.

Section 1.7 Accounting Terms.

All accounting terms not specifically defined in this Agreement are to be interpreted in accordance with GAAP.

Section 1.8 Disclosure Letter.

The Disclosure Letter forms an integral part of this Agreement for all purposes of it. The Disclosure Letter itself and all information contained in it is confidential information and may not be disclosed unless (i) it is required to be disclosed pursuant to applicable Law unless such Law permits the Parties to refrain from disclosing the information for confidentiality or other purposes or (ii) a Party needs to disclose it in order to enforce or exercise its rights under this Agreement or any Ancillary Agreement.

Section 1.9 References to Persons and Agreements.

Any reference in this Agreement or any Ancillary Agreement to a Person includes its heirs, administrators, executors, legal personal representatives, successors and permitted assigns, as applicable. The term **"Agreement"** and any reference in this Agreement to this Agreement, any Ancillary Agreement or any other agreement or document includes, and is a reference to, this Agreement, such Ancillary Agreement or such other agreement or document as it may have been, or may from time to time be amended, restated, replaced, supplemented or novated and includes all schedules to it, as applicable.

Section 1.10 Statutes.

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted.

Section 1.11 Non-Business Days.

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

ARTICLE 2 QUALIFYING TRANSACTION

Section 2.1 Qualifying Transaction

Each Party hereby agrees, unless such steps have already been completed, that as soon as reasonably commercially practicable after the date hereof or at such other time as is specifically indicated below, and subject to the terms and conditions of this Agreement and receipt of all shareholder and Governmental Entity approvals, as applicable, it shall take the following steps indicated for it:

- (1) **Filing Statement.** The Purchaser, with the assistance of the Vendor and the Corporation, shall use commercially reasonable efforts to finalize the Filing Statement, together with any other documents required by applicable securities and corporate Laws and the Policy in connection with the Qualifying Transaction, and the Purchaser shall cause the Filing Statement to be filed on SEDAR as soon as reasonably practicable, provided that the Filing Statement shall be filed only with the prior written consent of the Vendor and the Corporation (such consent of the Corporation shall be evidenced by a fully executed certificate page to the Filing Statement by the Corporation).
- (2) **Acquisition.** The Parties shall complete the Acquisition, as described in Article 3 hereof, and the Purchased Shares shall be transferred to the Purchaser free and clear of all Liens, other than (i) those restrictions on transfer, if any, prescribed by the articles of the Corporation and applicable securities Laws, and (ii) Liens granted by the Purchaser.
- (3) **Other Actions.** The Parties shall take any other action and do anything, including the execution of any other agreements, documents or instruments, that are necessary or useful to give effect to the Qualifying Transaction, provided that nothing in this Agreement shall prevent or limit the ability of the board of directors of each of the Parties to fulfill their fiduciary or statutory duties.
- (4) **Private Placement Shares and Warrants.** The Private Placement will close concurrently with the Closing and each subscriber under the Private Placement shall be entered onto the books and records of the Purchaser as a holder of such Private Placement Shares and Warrants.

- (5) **Listing.** The Purchaser shall use commercially reasonable efforts to have the issuance of all the Bellair Shares issuable pursuant to or as a consequence of the transactions contemplated herein, including the Private Placement Shares and shares issuable on exercise of the Warrants, accepted by the Exchange, subject to applicable escrow or other Exchange requirements. The Bellair Shares to be issued to the Vendor pursuant to Section 3.3 will not be subject to any restricted period (as such term is used in the Securities Act) under applicable Laws. The Purchaser shall provide the Vendor with copies of all communications sent to or received from the Exchange or any securities regulatory authorities in connection with the Qualifying Transaction.
- (6) **Directors.** The Parties hereby acknowledge and agree that it is their intention that upon the Closing, the board of directors of the Purchaser shall be comprised of Emlyn J. David, Rajiv Rai, and Keith Stein and the board of directors of the Corporation shall be comprised of Emlyn J. David and Romeo DiBattista Jr.
- (7) **Officers.** The Parties hereby acknowledge and agree that it is their intention that upon the Closing, the officers of the Purchaser shall be Emlyn J. David as President, Chief Executive Officer and Corporate Secretary and a nominee of the Purchaser, in its sole discretion, as Chief Financial Officer and the sole officer of the Corporation shall be Romeo DiBattista Jr. as President and Chief Executive Officer.

Section 2.2 Preparation of Filings

The Parties shall cooperate in the preparation of all applications for approvals and any other documents and the taking of all actions reasonably deemed by the Parties, as the case may be, to be necessary to discharge their respective obligations under applicable Laws in connection with each step of the Qualifying Transaction and all other matters contemplated in this Agreement and the Filing Statement. In this regard:

- (1) Each Party shall furnish to the other all such information concerning it and its shareholders (and in the case of the Vendor and the Corporation, also concerning the Subsidiaries) as may be required to effect the Qualifying Transaction and the actions described in this Article 2. Each of the Parties also covenants that no information furnished by it in connection with the consummation of the Qualifying Transaction, including in respect of the Filing Statement, or in connection with any such actions will, to its knowledge, contain any untrue statement of a material fact or omit to state a material fact required to be stated in any such document or necessary in order to make any information so furnished for use in any such document not misleading or incorrect; and
- (2) Each Party shall promptly notify the other Parties if at any time before the Closing Date it becomes aware that the Filing Statement or any other document to be filed with any Governmental Entity, including, without limitation, the Exchange, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, or that otherwise requires an amendment or supplement to the Filing Statement or other such filing. In any such

event, the Parties shall cooperate in the preparation of a supplement or amendment to the Filing Statement, as required and as the case may be, and, if required, the Purchaser shall cause the same to be filed on SEDAR.

ARTICLE 3

PURCHASED SHARES AND PURCHASE PRICE

Section 3.1 Purchase and Sale.

Subject to the terms and conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor on the Closing Date, all (but not less than all) the Purchased Shares (the “**Acquisition**”).

Section 3.2 Purchase Price.

The consideration payable by the Purchaser to the Vendor for the Purchased Shares is \$5,250,000 (the “**Purchase Price**”), subject to adjustment in accordance with Section 3.5.

Section 3.3 Payment of the Purchase Price.

At the Closing, the Purchase Price will be paid and satisfied, subject to adjustment in accordance with Section 3.5, as follows:

- (a) as to \$2,000,000, by the Purchaser issuing to the Vendor 4,000,000 Bellair Shares, at a deemed value per share of \$0.50;
- (b) as to \$225,000, plus accrued interest of approximately \$25,000 as of the Closing Date, with respect to the retirement of the Loan;
- (c) as to the following amounts, by the Purchaser acknowledging the continuation of the following encumbrances on the Corporation and the Subsidiaries, as applicable:
 - (i) as to \$400,000, with respect to the DiBattista Note;
 - (ii) as to \$2,600,000, with respect to the Financing and other various debts and obligations, out of the Ordinary Course and not otherwise reflected in the Working Capital (the “**Other Obligations**”), the completed list of such Other Obligations as to be agreed to by the Parties and delivered to the Purchaser at least ten (10) days prior to the Closing Date (the “**Statement of Obligations**”);
- (d) to the extent the aggregate amount of the Financing and debts and obligations set forth in the Statement of Obligations is less than \$2,600,000, the Purchaser shall pay to the Vendor such difference as an increase to the Purchase Price. Any amounts to be paid under this Section shall be paid by bank draft or certified cheque or wire transfer of immediately available funds, as the recipient may reasonably direct, on the Closing Date.

Section 3.4 Preparation of Working Capital Statement.

- (1) Within thirty (30) days following the Closing Date (or such other date as is mutually agreed to by the Vendor and the Purchaser in writing), the Purchaser shall prepare and deliver to the Vendor a draft consolidated statement of the Working Capital (the **"Draft Working Capital Statement"**) prepared as of the close of business on the Closing Date. The Draft Working Capital Statement will be prepared in accordance with GAAP applied on a basis consistent with the preparation of the Statements, and the inventories of the Corporation and the Subsidiaries, as applicable, will be valued in accordance with GAAP only to the extent that GAAP is consistent with the inventory policies, practices and procedures of the Corporation and the Subsidiaries.
- (2) The Vendor shall have fifteen (15) Business Days to review the Draft Working Capital Statement following receipt of it and the Vendor must notify the Purchaser in writing if it has any objections to the Draft Working Capital Statement within such fifteen (15) Business Day period. The notice of objection must set forth in reasonable detail the basis of the Vendor's objections and each amount in dispute. The Purchaser shall provide access, upon every reasonable request, to the Vendor and its auditors, to all work papers of the Purchaser, the Corporation and the Subsidiaries, accounting books and records and the appropriate personnel to verify the accuracy, presentation and other matters relating to the preparation of the Draft Working Capital Statement.
- (3) If the Vendor sends a notice of objection to the Draft Working Capital Statement in accordance with Section 3.4(2), the Parties shall work expeditiously and in good faith in an attempt to resolve such objections within twenty (20) Business Days following receipt of the notice by the Purchaser. Failing resolution of any objection to the Draft Working Capital Statement raised by the Vendor, the dispute will be submitted for determination to an independent firm of chartered accountants mutually agreed to by the Vendor and the Purchaser. The determination of such firm of chartered accountants will be final and binding upon the Parties and will not be subject to appeal, absent manifest error. Such firm of chartered accountants are deemed to be acting as experts and not as arbitrators.
- (4) If the Vendor does not notify the Purchaser of any objection within the fifteen (15) Business Day period in accordance with Section 3.4(2), the Vendor is deemed to have accepted and approved the Draft Working Capital Statement and such Draft Working Capital Statement will be final, conclusive and binding upon the Parties, and will not be subject to appeal, absent manifest error. In such case, the Draft Working Capital Statement will become the **"Closing Working Capital Statement"** as of the next Business Day following the end of such fifteen (15) Business Day period.
- (5) If the Vendor sends a notice of objection in accordance with Section 3.4(2), the Parties shall revise the Draft Working Capital Statement to reflect the final resolution or final determination of such objections under Section 3.4(3) within two (2) Business Days following such final resolution or determination. Such revised Draft Working Capital Statement will be final, conclusive and binding upon the Parties, and will not

be subject to appeal, absent manifest error. In such case, the revised Draft Working Capital Statement will become the **"Closing Working Capital Statement"** as of the next Business Day following such revision of the Draft Working Capital Statement pursuant to this Section 3.4(5).

- (6) The Vendor and the Purchaser shall each bear their own fees and expenses, including the fees and expenses of their respective auditors, in preparing or reviewing, as the case may be, the Draft Working Capital Statement. In the case of a dispute and the retention of a firm of chartered accountants to determine such dispute, the costs and expenses of such firm of chartered accountants will be borne equally by the Vendor and the Purchaser. However, the Vendor and the Purchaser shall each bear their own costs in presenting their respective cases to such firm of chartered accountants.
- (7) The Parties agree that the procedure set forth in this Section 3.4 for resolving disputes with respect to the Draft Working Capital Statement is the sole and exclusive method of resolving such disputes, absent manifest error. This Section 3.4(7) will not prohibit any Party from instigating litigation to compel specific performance of this Section 3.4 or to enforce the determination of the independent firm of chartered accountants.

Section 3.5 Working Capital Purchase Price Adjustment.

- (1) The Purchase Price will be increased or decreased, as the case may be, dollar-for-dollar, to the extent that the Working Capital, as determined from the Closing Working Capital Statement (the **"Working Capital Amount"**) is more or less than \$700,000.
- (2) If the Working Capital Amount is more than \$700,000, the Purchaser shall pay to the Vendor the difference between the Working Capital Amount and \$700,000 as an increase to the Purchase Price. If the Working Capital Amount is less than \$700,000, the Vendor shall pay to the Purchaser the difference between the Working Capital Amount and \$700,000 as a decrease to the Purchase Price. Any amounts to be paid under this Section shall be paid by bank draft or certified cheque or wire transfer of immediately available funds, as the recipient may reasonably direct, within five (5) Business Days after the Draft Working Capital Statement becomes the Closing Working Capital Statement in accordance with Section 3.4(4) or Section 3.4(5), as the case may be.
- (3) If the Working Capital Amount is equal to \$700,000, there shall be no increase or decrease to the Purchase Price.

Section 3.6 No Effect on Other Rights.

The determination and adjustment of the Purchase Price in accordance with the provisions of this Article will not limit or affect any other rights or causes of action either the Purchaser or the Vendor may have with respect to the representations, warranties, covenants and indemnities in its favour contained in this Agreement.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE VENDOR AND CORPORATION

Section 4.1 Representations and Warranties of the Vendor and Corporation.

The Vendor and the Corporation represent and warrant as follows to the Purchaser and acknowledge and agree that the Purchaser is relying upon the representations and warranties in connection with its purchase of the Purchased Shares:

Corporate Matters

- (a) **Incorporation and Qualification.** Each of the Corporation, the Subsidiaries, KNR Group and the Vendor is a corporation incorporated and existing under the laws of Ontario and has the corporate power to own and operate its property, carry on its business and enter into and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is a party. Each of the Corporation and the Subsidiaries is qualified, licensed or registered to carry on business in all jurisdictions in which the nature of the Assets or the Business makes such qualification necessary or where the Corporation or the Subsidiaries own or lease any material Assets or conduct the Business. KNR Group has not conducted business since the date of its incorporation.
- (b) **Corporate Authorization.** The execution and delivery of, and performance by each of the Vendor and the Corporation of, this Agreement and each of the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated by them have been duly authorized by all necessary corporate action.
- (c) **No Conflict.** The execution and delivery of and performance by the Vendor, the Corporation and the Subsidiaries, as the case may be, of this Agreement and each of the Ancillary Agreements to which it is a party:
 - (i) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a violation or breach of, or conflict with, or allow any Person to exercise any rights under, any of the terms or provisions of its constating documents or by-laws;
 - (ii) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a breach or violation of, or conflict with or allow any Person to exercise any rights under, any of the terms or provisions of any Contracts material to the Corporation or the Subsidiaries or any material instruments to which it is a party or pursuant to which any of its Assets may be adversely affected;
 - (iii) do not and will not result in a breach of, or cause the termination or revocation of, any Authorization held by it or necessary to the

ownership of the Purchased Shares or material to the operation of the Business in the Ordinary Course; and

- (iv) do not and will not result in the violation of any Law.
- (d) **Required Authorizations.** Subject to the terms of this Agreement, as at the Closing, the Vendor, Corporation and the Subsidiaries have made any and all filings with, provided any and all notice to, and obtained any and all Authorization of, any Governmental Entity required to be provided or obtained by them, as the case may be, for the lawful completion of the transactions contemplated by this Agreement.
- (e) **Required Consents.** Subject to the terms of this Agreement, as at the Closing Date, the Vendor, Corporation and the Subsidiaries have obtained any and all required consents, approvals and/or waivers of a party under any material Contract to which the Vendor, the Corporation or the Subsidiaries is a party to any of the transactions contemplated by this Agreement.
- (f) **Execution and Binding Obligation.** This Agreement and each of the Ancillary Agreements to which the Vendor, the Corporation or the Subsidiaries are a party have been, or will be at the Closing Date, as the case may be, duly executed and delivered by each of the Vendor, the Corporation and/or the Subsidiaries, as the case may be, and constitute, or will, as at the Closing Date, constitute legal, valid and binding agreements of it enforceable against it in accordance with their respective terms, subject only to any limitation under applicable Laws relating to (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference, conveyance, assignment and preference or other similar laws of general application affecting creditors' rights, (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction and (iii) rights of indemnity provided for herein may be limited under applicable Laws.
- (g) **Authorized and Issued Capital.** The authorized capital of the Corporation consists of an unlimited number of common shares of which (i) at this date, 50,100 common shares (and no more) have been duly issued and are outstanding as fully paid and non assessable, and (ii) at the Closing Date, not including the Compensation Shares, 69,149 common shares (and no more) will be duly issued and will be outstanding as fully paid and non assessable. All of the Purchased Shares have been, and the Compensation Shares will be, issued in compliance with all applicable Laws including applicable securities Laws. The Corporation is not a reporting issuer (as such term is used in the Securities Act, and there is no published market for the Purchased Shares.
- (h) **No Other Agreements to Purchase.** Except for the Purchaser's right under this Agreement and subject to the Compensation Agreements and the Pre-Closing Reorganization, no Person has any written or oral agreement, option or warrant or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for (i) the purchase or acquisition from

the Vendor of any of the Purchased Shares or the Subsidiary Shares, or (ii) the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation or any of the Subsidiaries.

- (i) **Title to Purchased Shares.** The Purchased Shares are owned by the Vendor as the registered and beneficial owner with a good title, free and clear of all Liens other than those restrictions on transfer, if any, contained in the articles of the Corporation. Upon completion of the transaction contemplated by this Agreement, the Purchaser will have good and valid title to the Purchased Shares, free and clear of all Liens other than (i) those restrictions on transfer, if any, contained in the articles of the Corporation, and (ii) Liens granted by the Purchaser.
- (j) **Title to Subsidiary Shares.** The Subsidiary Shares are owned, directly or indirectly, by the Corporation as the registered and beneficial owner with a good title, free and clear of all Liens other than those restrictions on transfer, if any, contained in the articles of each of the Subsidiaries or KNR Group, as the case may be.
- (k) **Dividends and Distributions.** Since the Interim Balance Sheet Date, other than in connection with the Reorganizations, the Corporation and the Subsidiaries have not and will not, directly or indirectly, declare or pay any dividends or declare or make any other distribution on any of its shares of any class and has not and will not, directly or indirectly, redeem, purchase or otherwise acquire any of its shares of any class or agree to do so.
- (l) **Corporate Records.** The Corporate Records of each of the Corporation and the Subsidiaries are complete and accurate in all material respects and all material corporate proceedings and actions reflected in such Corporate Records have been conducted or taken in material compliance with all applicable Laws and with the articles and by-laws of the Corporation and the Subsidiaries. Each of the Corporation and the Subsidiaries has never been subject to, or affected by, any unanimous shareholders agreement.
- (m) **Residence of the Vendor.** The Vendor is not a non-resident of Canada within the meaning of the Tax Act and each of the Corporation and the Subsidiaries is a registrant for purposes of any taxes imposed under Part IX of the *Excise Tax Act*.

General Matters Relating to the Business

- (n) **Conduct of Business in Ordinary Course.** Except as disclosed in this Agreement, the Disclosure Letter or the Statements, since the Interim Balance Sheet Date, the Business has been carried on in the Ordinary Course.
- (o) **No Material Adverse Change.** Since the Interim Balance Sheet Date, there has not been any Material Adverse Change, and, to the knowledge of the

Vendor and the Corporation, no event has occurred or circumstance exists which would reasonably be expected to result in a Material Adverse Change.

- (p) **Compliance with Laws.** Each of the Corporation and the Subsidiaries is conducting and has always conducted the Business in compliance with all applicable Laws, other than acts of non-compliance which, individually or in the aggregate, are not material.
- (q) **Authorizations.** To the knowledge of the Vendor and the Corporation, each of the Corporation and the Subsidiaries owns, holds, possesses or lawfully uses in the operation of the Business, all Authorizations which are necessary for it to conduct the Business as presently or previously conducted or for the ownership and use of the Assets in compliance in all material respects with all applicable Laws. Each Authorization is valid, subsisting and in good standing, each of the Corporation and the Subsidiaries is not in default or breach of any Authorization and, to the knowledge of the Vendor and the Corporation, no proceeding is pending or threatened to revoke or limit any Authorization. All Authorizations are renewable by their terms or in the Ordinary Course of business. Following the acquisition of the WEC Assets by the Corporation or the Subsidiaries, as applicable, neither the Vendor nor any affiliate of the Vendor owns or has any proprietary, financial or other interests (direct or indirect) in any Authorization each of which the Corporation and the Subsidiaries owns, possesses or uses in the operation of the Business as now or previously conducted.

Matters Relating to the Assets

- (r) **Sufficiency of Assets.** The Business is the only business operation carried on by the Corporation and the Subsidiaries. Following the acquisition of the WEC Assets by the Corporation or the Subsidiaries, as applicable, the Assets will include all rights and property necessary to enable the Corporation and the Subsidiaries to conduct the Business after the Closing substantially in the same manner as it was conducted prior to the Closing. With the exception of inventory, motor vehicles, equipment in transit and the Certificate of Approval, all of the Assets are situate at the Leased Property.
- (s) **Title to the Assets.** Each of the Corporation and the Subsidiaries owns (with good title) all of the properties and assets (whether real, personal or mixed and whether tangible or intangible) that it purports to own including all the properties and assets reflected as being owned by it in its financial Books and Records. Each of the Corporation and the Subsidiaries has legal and beneficial ownership of the Assets free and clear of all Liens, except for Permitted Liens. No other Person owns any property or assets which are being used in the Business except for (i) prior to the Closing Date, the Certificate of Approval issued in the name of Waste Excellence Corporation with respect to the operation of a waste transfer station and the WEC Assets, (ii) the Leased Property and the personal property leased by the Corporation

or the Subsidiaries pursuant to the Contracts, and (iii) the Intellectual Property, if any, licensed to the Corporation or the Subsidiaries.

- (t) **No Options, etc. to Purchase Assets.** No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase or other acquisition from the Corporation or the Subsidiaries of any of the Assets, other than (i) Assets which are obsolete and which individually or in the aggregate do not exceed \$100,000 or (ii) inventory to be sold in the Ordinary Course.
- (u) **Condition of Tangible Assets.** The buildings, structures, vehicles, equipment and communications hardware and other tangible personal property owned by the Corporation and the Subsidiaries are in good operating condition and repair having regard to their use and age and are adequate and useable for the purposes for which they are being used. None of such buildings, structures, vehicles, equipment or other tangible property are in need of maintenance or repairs except for routine maintenance and repairs in the Ordinary Course that are not material in nature or cost.
- (v) **Property.** Each of the Corporation and the Subsidiaries is not the owner or lessee of, or subject to any agreement or option to own or lease, any real property or any interest in any real property other than, as at the Closing Date, the Leased Property.
- (w) **Leases.** As at the date of this Agreement, each of the Corporation and the Subsidiaries is not a party to, or under any agreement to become a party to, any lease with respect to real property other than with respect to the Lease and the Lease Assumption Agreement. As at the Closing, the Lease and the Lease Assumption Agreement will be in good standing, creating a good and valid leasehold estate in the Leased Property thereby demised and will be in full force and effect without amendment.
- (x) **No Breach of Material Contracts.** Each of the Corporation and the Subsidiaries has performed all of the obligations required to be performed by it and is entitled to all benefits under any material Contract and, to the knowledge of the Vendor and the Corporation, is not alleged to be in default of any material Contract. Each material Contract is in full force and effect, unamended, and, to the knowledge of the Vendor and the Corporation, there exists no default or event of default or event, occurrence, condition or act (including the purchase of the Purchased Shares) which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under any material Contract. As at the Closing Date, true, correct and complete copies of all material Contracts have been delivered to the Purchaser.
- (y) **No Breach of Other Contracts.** With respect to Contracts to which the Corporation or any Subsidiary is a party that are not material Contracts, the Corporation and the Subsidiaries, as applicable, have not, to the knowledge

of the Vendor and the Corporation, violated or breached, in any respect, any of the terms or conditions of any such Contract, and to the knowledge of the Vendor and the Corporation, all the covenants to be performed by any other party to such Contracts have been fully performed.

- (z) **Accounts Receivable.** All Accounts Receivable set out in the Statements or which have come into existence since the date of the Interim Financial Statements in the Ordinary Course are bona fide, and, except:
- (i) to the extent that the same have been paid in the Ordinary Course of the business of the Corporation or the Subsidiaries, as the case may be;
 - (ii) with respect to the Accounts Receivable set out on the Statements, subject to an allowance for doubtful accounts that has been reflected in the Books and Records in accordance with GAAP and consistent with past practice; and
 - (iii) with respect to the Accounts Receivable which have come into existence since the dates of the respective Statements, subject to a reasonable allowance for doubtful accounts not materially greater than the allowance for doubtful accounts for the last complete fiscal year of the Corporation and/or its Subsidiaries, as the case may be,

are collectible without set-off or counterclaim.

- (aa) **Intellectual Property.**
- (i) The Corporation and the Subsidiaries own all right, title and interest in and to the Intellectual Property owned by the Corporation and the Subsidiaries, as applicable, free and clear of all Liens and with the right to use all the Intellectual Property used in carrying on the Business. The only Intellectual Property owned or used by the Corporation or the Subsidiaries are the trade names "KNR Disposal" and "KNR Services". Each of the Corporation and the Subsidiaries has taken all reasonable steps to register in Ontario its rights in and to its owned Intellectual Property, in each case in accordance with industry practice.
 - (ii) Each of the Corporation and the Subsidiaries is not a party to or bound by any Contract or other obligation that limits or impairs its ability to use, sell, transfer, assign or convey, or that otherwise affects any of the Intellectual Property owned by it. Each of the Corporation and the Subsidiaries is not obligated to pay any royalties, fees or other compensation to any Person in respect of its ownership, use or license of any Intellectual Property.

- (iii) To the knowledge of the Vendor and the Corporation, the operation of the Business does not infringe upon the Intellectual Property rights of any Person and no claims have been asserted or are threatened by any Person.
 - (iv) The Intellectual Property owned by or licensed to each of the Corporation and the Subsidiaries or which it otherwise has the right to use constitutes all Intellectual Property necessary for the conduct of the Business as presently conducted. Following Closing, inclusive of the acquisition of the WEC Assets, each of the Corporation and the Subsidiaries will be entitled to continue to use, practice and exercise rights in, all of the Intellectual Property owned by, licensed to and used by each of the Corporation and the Subsidiaries, to the same extent and in the same manner as used, practiced and exercised by it prior to Closing without financial obligation to any Person and neither the Vendor nor any affiliate of the Vendor will retain or use any of the Intellectual Property owned by, licensed to or used by the Corporation or the Subsidiaries in connection with the Business.
 - (v) To the knowledge of the Vendor and the Corporation, no Person is currently infringing any of the Intellectual Property owned by, licensed to or used by the Corporation and the Subsidiaries.
- (bb) **Subsidiaries.** Other than the Subsidiaries and KNR Group, the Corporation has no subsidiaries and holds no shares or other ownership, equity or proprietary interests in any other Person. KNR Group has no assets, operations or liabilities and is not a party to, or under any agreement to become a party to, any Contracts.

Financial Matters

- (cc) **Books and Records.** All accounting and financial Books and Records have been fully, properly and accurately kept and completed in all material respects. The Books and Records and other data and information are not recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether computerized or not) which will not be available in the Ordinary Course.
- (dd) **Financial Statements.** The Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved and each presents fairly, in all material respects:
 - (i) the assets, liabilities, (whether accrued, absolute, contingent or otherwise) and financial position of the Corporation and/or the Subsidiaries as at the respective dates of the relevant statements; and

- (ii) the sales and earnings of the Corporation, the Subsidiaries and DiBattista Partners Inc., as applicable, during the periods covered by the relevant Statements.

True, correct and complete copies of the Statements are attached as Schedule 4.1(dd) of the Disclosure Letter.

- (ee) **No Liabilities.** Each of the Corporation and the Subsidiaries have no extraordinary liabilities or obligations of any nature whatsoever, whether known, unknown, due, to become due, direct, indirect, absolute, contingent or otherwise and whether or not required to be accrued on its financial statements, except for, (i) liabilities and obligations reflected or reserved against in the Statements, (ii) liabilities and obligations incurred in the Ordinary Course, or (iii) liabilities and obligations incurred or arising pursuant to the Pre-Closing Reorganization, Compensation Agreements or in connection with the Financing.
- (ff) **Bank Accounts and Powers of Attorney.** Schedule 4.1(ff) of the Disclosure Letter is a correct and complete list showing (i) the name of each bank in which each of the Corporation and the Subsidiaries has an account or safe deposit box and the names of all Persons authorized to draw on the account or to have access to the safety deposit box, and (ii) the names of all Persons holding powers of attorney from the Corporation or the Subsidiaries. Copies of the powers of attorney have been provided to the Purchaser.

Particular Matters Relating to the Business

- (gg) **Environmental Matters.** As at the Closing Date, the Certificate of Approval is valid and in good standing and the Business and Assets are being operated in full compliance with all positive and negative obligations required by the Certificate of Approval. Subject to the Certificate of Approval, the Assets are capable of, and are not restricted by any Authorization or Contract from, being operated at maximum daily and annual production capacity.
- (hh) **Employees.**
 - (i) Each of the Corporation and the Subsidiaries is in compliance with all material terms and conditions of employment and all Laws respecting employment, including pay equity, wages, hours of work, overtime, human rights and occupational health and safety, and there are no outstanding claims, complaints, investigations or orders under any such Laws and to the knowledge of the Vendor and the Corporation there is no basis for a successful claim.
 - (ii) Neither the Corporation nor the Subsidiaries has or is engaged in any unfair labour practice and no unfair labour practice complaint, grievance or arbitration proceeding is pending or, to the knowledge

of the Vendor and the Corporation, threatened against the Corporation or Subsidiaries.

- (iii) There is no collective agreement in force or being negotiated with respect to the employees of the Corporation or any of the Subsidiaries nor is there any Contract with any employee association in respect of the employees of the Corporation or any of the Subsidiaries.
- (iv) No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any of the employees of the Corporation or any of the Subsidiaries by way of certification, interim certification, voluntary recognition, or succession rights, or has applied or, to the knowledge of the Vendor or the Corporation, threatened to apply to be certified as the bargaining agent of any employees of the Corporation or any of the Subsidiaries. To the knowledge of the Vendor and the Corporation, there are no threatened or pending union organizing activities involving any employees of the Corporation or any of the Subsidiaries. There is no labour strike, dispute, work slowdown or stoppage pending or involving or, to the knowledge of the Vendor and the Corporation, threatened against the Corporation or any of the Subsidiaries and no such event has occurred within the last two (2) years.
- (v) No trade union has, to the knowledge of the Vendor or the Corporation, applied to have the Corporation or any of the Subsidiaries declared a common or related employer pursuant to the *Labour Relations Act* (Ontario).
- (vi) All amounts due or accrued due for all salary, wages, bonuses, commissions, vacation with pay, sick days and benefits under the Employee Plans have either been paid or are accurately reflected in the Books and Records.
- (vii) Schedule 4.1(hh) of the Disclosure Letter contains a correct and complete list of each employee, independent contractor and consultant of each of the Corporation and the Subsidiaries, whether actively at work or not, showing without names or employee numbers their salaries, wage rates and consulting fees, bonus arrangements, benefits, positions, status as full-time or part-time employees, location of employment, starting dates and whether they are subject to a written employment Contract. Schedule 4.1(hh) of the Disclosure Letter contains for each employee their annual vacation entitlement in days, their accrued and unused vacation days as of the date hereof, any other annual paid time off entitlement in days and their accrued and unused days of such other paid time off as of the date hereof.

- (viii) No employee of the Corporation or any of the Subsidiaries has any agreement as to length of notice or severance payment required to terminate his or her employment, other than such as results by Law from the employment of an employee without an agreement as to notice or severance.
- (ix) Each independent contractor and consultant who is disclosed in Schedule 4.1(hh) of the Disclosure Letter has been properly classified by the Corporation or the Subsidiaries, as applicable as an independent contractor or consultant and neither the Corporation nor the Subsidiaries have received any notice from any Governmental Entity disputing such classification.
- (x) There are no outstanding assessments, penalties, fines, liens, charges, surcharges, or, to the knowledge of the Vendor and the Corporation, other amounts due or owing pursuant to any workplace safety and insurance legislation and the Corporation and the Subsidiaries have not been reassessed in any material respect under such legislation since their respective dates of incorporation and, to the knowledge of the Vendor or the Corporation, no audit is currently being performed pursuant to any applicable workplace safety and insurance legislation. There are no claims or, to the knowledge of the Vendor or the Corporation, potential claims which may materially adversely affect the Corporation's or any of the Subsidiaries' accident cost experience in respect of the Business.
- (xi) The Vendor has made available to the Purchaser all orders and material inspection reports under applicable occupational health and safety legislation ("OHSA") together with the minutes of the joint health and safety committee meetings for the past year for the Corporation and each of the Subsidiaries. To the knowledge of the Vendor and the Corporation, there are no charges pending under OHSA. The Corporation and the Subsidiaries have complied in all material respects with any orders issued under OHSA and there are no appeals of any orders under OHSA currently outstanding.
- (ii) **Employee Plans.** The Corporation and the Subsidiaries do not have, and have never had, any Employee Plans.
- (jj) **Insurance.** The Assets are insured against loss or damage by all insurable hazards or risks on a replacement cost basis. Schedule 4.1(jj) of the Disclosure Letter contains a correct and complete list of insurance policies which are maintained by the Corporation and the Subsidiaries setting out, in respect of each policy, the type of policy, the name of insurer, the coverage allowance, the expiration date, the annual premium and any pending claims. To the knowledge of the Corporation, the Corporation is not in default with respect to any of the provisions contained in the insurance policies and have not failed to give any notice or to present any claim under any insurance policy

in a due and timely fashion. To the knowledge of the Vendor and the Corporation, there are no circumstances in respect of which any Person could make a successful claim under any insurance policy. There has not been any Material Adverse Change in the relationship of the Corporation or the Subsidiaries with the insurers, the availability of coverage, or in the premiums payable pursuant to the policies. Part of Schedule 4.1(jj) of the Disclosure Letter is a list setting forth any and all claims, with reasonable particulars, made under any policies of insurance maintained by or for the benefit of the Corporation and the Subsidiaries over the past calendar year prior to this date. Copies of all insurance policies and the most recent inspection reports received from insurance underwriters have been made available to the Purchaser.

- (kk) **Litigation.** Except as described in Schedule 4.1(kk) of the Disclosure Letter, there are no (i) actions, suits or proceedings, at law or in equity, by any Person, (ii) any grievance, arbitration or alternative dispute resolution process, or (iii) administrative or other proceeding by or before (or to the knowledge of the Vendor or the Corporation any investigation by) any Governmental Entity, pending, or, to the knowledge of the Vendor or the Corporation, threatened against or affecting the Corporation, the Subsidiaries the Business or any of the Assets, and, to the knowledge of the Vendor and the Corporation, there is no valid basis for any such action, complaint, grievance, suit, proceeding, arbitration or investigation by or against the Corporation or the Subsidiaries. Each of the Corporation and the Subsidiaries is not subject to any judgment, order or decree entered in any lawsuit or proceeding nor has it settled any claim prior to being prosecuted in respect of it. Except as disclosed in Schedule 4.1(kk) of the Disclosure Letter, each of the Corporation and the Subsidiaries is not the plaintiff or complainant in any action, suit or proceeding, grievance, arbitration or alternative dispute resolution process.
- (ll) **Customers and Suppliers.** Schedule 4.1(ll) of the Disclosure Letter is a true and correct list setting forth the largest customers and the largest suppliers of the Corporation and the Subsidiaries by dollar amount as at the date of the Interim Financial Statements. The Vendor has no reason to believe that the benefits of any relationship with any of the major customers or suppliers of the Corporation and the Subsidiaries will not continue after the Closing Date in substantially the same manner as prior to the date of this Agreement.
- (mm) **Taxes.**
 - (i) Save and except for year end and corporate taxes owing for KNR Equipment Inc. for the period ending on June 30, 2010 in the sum of \$98,474 and KNR Services Inc. for the period ending on June 30, 2010 in the sum of \$30,564, the Corporation and the Subsidiaries have paid all Taxes which are due and payable within the time required by applicable Law, and have paid all assessments and reassessments it

received in respect of Taxes. The Corporation and the Subsidiaries have made full and adequate provision in the Books and Records and Interim Financial Statements for all Taxes which are not yet due and payable but which relate to periods ending on or before the Closing Date. The Corporation and the Subsidiaries have not received any refund of Taxes to which they are not entitled.

- (ii) The liability for Taxes of each of the Corporation and the Subsidiaries has been assessed by all relevant Governmental Entities for all periods up to and including the Interim Balance Sheet Date. There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, the Corporation or the Subsidiaries. Each of the Corporation and the Subsidiaries has not received a ruling from any Governmental Entity in respect of Taxes or signed an agreement in respect of Taxes with any Governmental Entity and, without limiting the generality of the foregoing, each of the Corporation and the Subsidiaries is not a party to or bound by any obligation under any Tax sharing or allocation agreement or similar contract or arrangement (whether or not written) nor does it owe any amount under any such agreement.
- (iii) There are no claims, actions, suits, audits, proceedings, investigations or other action pending or threatened against each of the Corporation and the Subsidiaries in respect of Taxes and, to the knowledge of the Vendor and the Corporation, there is no reason to expect that any such claim, action, suit, audit, proceeding, investigation or other action may be asserted against them by a Governmental Entity for any period ending on or prior to the Closing Date. Each of the Corporation and the Subsidiaries is not negotiating any final or draft assessment or reassessment in respect of Taxes with any Governmental Entity and has not received any indication from any Governmental Entity that an assessment or reassessment is proposed or may be proposed in respect of any Taxes for any period ending on or prior to the Closing Date. There are no facts of which the Corporation, the Subsidiaries or the Vendor is aware which would constitute grounds for the assessment or reassessment of Taxes payable by the Corporation or the Subsidiaries for any period ending on or prior to the Closing Date, except in respect of Taxes that are provided for in the Books and Records and Interim Financial Statements. The Vendor is not aware of any contingent liabilities of the Corporation or the Subsidiaries for Taxes or any grounds for an assessment or reassessment of Taxes including, without limitation, the treatment of income, expenses, credits or other claims for deduction under any Tax Return.

- (iv) The Corporation has withheld from each amount paid or credited to any of its present or former employees, officers and directors, and to all persons who are non-residents of Canada for the purposes of the Tax Act, all amounts required by applicable Law, and has remitted such withheld amounts within the prescribed periods to the appropriate Governmental Entity. The Corporation has remitted all Canada Pension Plan contributions, Quebec Pension Plan Contributions, employment insurance premiums, employer health taxes and other Taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Entity within the time required by applicable Law. The Corporation has charged, collected and remitted on a timely basis all Taxes as required by applicable Law (including, without limitation, Part IX of the *Excise Tax Act* (Canada) or the retail sales tax legislation of any province of Canada) on any sale, supply or delivery whatsoever, made by the Corporation.
- (v) Each of the Corporation and the Subsidiaries has not acquired property or services from, or disposed of property or provided services to, a person with whom it does not deal at arm's length (within the meaning of the Tax Act) for an amount that is other than the fair market value of such property or services, nor has it been deemed to have done so for purposes of the Tax Act, except for in connection with the Reorganizations.
- (vi) Each of the Corporation and the Subsidiaries has filed or caused to be filed with the appropriate Governmental Entity, within the times and in the manner prescribed by applicable Law, all federal, provincial, local and foreign Tax Returns which are required to be filed by or with respect to it. The information contained in such Tax Returns is correct and complete and such Tax Returns reflect accurately all liability for Taxes for the periods covered thereby.
- (vii) There are no circumstances existing which could result in the application of section 17, section 78, section 79, or sections 80 to 80.04 of the Tax Act, or any equivalent provision under applicable provincial law, to the Corporation or its Subsidiaries. The Corporation and its Subsidiaries have not claimed and will not claim any reserve under any provision of the Tax Act or any equivalent provincial provision, if any such amount could be included in the income of the Corporation or its Subsidiaries for any period ending after the Closing Date.
- (viii) For all transactions between the Corporation or any of its Subsidiaries, on the one hand, and any non-resident Person with whom the Corporation or any of its Subsidiaries were not dealing at arm's length, for the purposes of the Tax Act, on the other hand,

during a taxation year commencing after 1998 and ending on or before the Closing Date, the Corporation or any of its Subsidiaries have made or obtained records or documents that satisfy the requirements of paragraphs 247(4)(a) to (c) of the Tax Act.

- (ix) The Corporation and the Subsidiaries are not subject to any joint venture, partnership or other arrangement or contract that is treated as a partnership for income tax purposes in any jurisdiction.
- (x) To the knowledge of the Vendor and the Corporation, no claim has ever been made by a Governmental Entity in respect of Taxes in a jurisdiction where the Corporation and the Subsidiaries do not file Tax Returns that they are or may be subject to Tax by that jurisdiction.
- (nn) **Privacy.** To the knowledge of the Vendor and the Corporation, the Business is being conducted in compliance with all applicable Laws governing privacy and the protection of personal information, including the *Personal Information Protection and Electronic Documents Act*, other than acts of non-compliance which individually or in the aggregate are not material.
- (oo) **Full Disclosure.** Neither this Agreement nor any Ancillary Agreement to which the Vendor, the Corporation or the Subsidiaries is a party (i) contains any untrue statement of a material fact in respect of the Vendor, the affairs, prospects, operations or financial condition of the Corporation, the Subsidiaries, the Assets or the Business, or (ii) omits any statement of a material fact necessary in order to make the statements in respect of the Vendor, the affairs, prospects, operations or financial condition of the Corporation, the Subsidiaries, the Assets or the Business contained herein or therein not misleading.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

Section 5.1 Representations and Warranties of the Purchaser.

The Purchaser represents and warrants as follows to the Vendor and the Corporation and acknowledges and agrees that the Vendor and the Corporation are relying on such representations and warranties in connection with the sale of the Purchased Shares:

- (a) **Incorporation and Corporate Power.** The Purchaser is a corporation incorporated and existing under the laws of Canada and its principal place of business is in Ontario. The Purchaser has no business operations of any kind other than as permitted by the Policy and has the power, authority and capacity to carry on its operations as presently conducted by it and to own and use all of its assets (which assets are comprised solely of cash or short term investments). The Purchaser has the corporate power and authority to enter into and perform its obligations under this Agreement and each of the Ancillary Agreements to which it is a party.

- (b) **Corporate Authorization.** The execution and delivery of and performance by the Purchaser of this Agreement and each of the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated by them have been duly authorized by all necessary corporate action on the part of the Purchaser.
- (c) **No Conflict.** The execution and delivery of and performance by the Purchaser of this Agreement and each of the Ancillary Agreements to which it is a party:
 - (i) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a violation or breach of, or conflict with, or allow any other Person to exercise any rights under, any of the terms or provisions of its constating documents or by-laws;
 - (ii) do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition) constitute or result in a breach or violation of, or conflict with or allow any other Person to exercise any rights under, any of the terms or provisions of any Contracts or instruments to which it is a party; and
 - (iii) do not and will not result in the violation of any Law.
- (d) **No Required Consents or Authorizations.** There is no requirement for the Purchaser to obtain (i) any consent, approval or waiver of a party under any lease or any Contract to which the Purchaser is a party or (ii) any Authorization, other than the Exchange, to any of the transactions contemplated by this Agreement.
- (e) **Execution and Binding Obligation.** This Agreement and each of the Ancillary Agreements to which the Purchaser is a party have been duly executed and delivered by the Purchaser and constitute legal, valid and binding agreements of the Purchaser, enforceable against it in accordance with their respective terms subject only to any limitation under applicable Laws relating to (i) bankruptcy, winding-up insolvency, arrangement, fraudulent preference, conveyance, assignment and preference or other similar laws of general application affecting creditors' rights, (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction, and (iii) rights of indemnity provided for herein may be limited under applicable Laws.
- (f) **Authorized and Issued Capital.** The authorized capital of the Purchaser consists of an unlimited number of common shares of which 2,556,600 common shares (and no more) have been duly issued and are outstanding as fully paid and non assessable in compliance with all applicable Laws, including applicable securities Laws. All Bellair Shares, when issued pursuant to the Acquisition and Private Placement, will be duly authorized,

validly issued, fully paid and non-assessable and in compliance with all applicable Laws including applicable securities Laws. As at the date hereof, there are no outstanding securities of the Purchaser convertible into or exercisable or exchangeable for Bellair Shares, and no such securities are otherwise issuable, other than (i) options to acquire an aggregate of 255,660 Bellair Shares exercisable at \$0.50 per Bellair Share and expiring on November 24, 2013, and (ii) securities that may become issuable in connection with the Private Placement.

- (g) **No Other Agreements to Purchase.** Except as disclosed in this Agreement or in connection with the transactions contemplated by this Agreement, no Person has any written or oral agreement, option or warrant or any right or privilege (whether by Law, pre emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Purchaser.
- (h) **Title to Bellair Shares.** Upon completion of the Acquisition, the Vendor will have good and valid title to the Bellair Shares issued pursuant to Section 3.3 hereof, free and clear of all Liens.
- (i) **No Authorization of Issuance.** Except as contemplated in this Agreement, the board of directors of the Purchaser has not authorized any purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Purchaser.
- (j) **Corporate Records.** The Corporate Records of the Purchaser are complete and accurate in all material respects and all material corporate proceedings and actions reflected in such Corporate Records have been conducted or taken in material compliance with all applicable Laws and with the articles and by-laws of the Purchaser. The Purchaser has never been subject to, or affected by, any shareholders agreement.
- (k) **Residence of the Purchaser.** The Purchaser is not a non resident of Canada within the meaning of the Tax Act and the Purchaser is a registrant for purposes of any taxes imposed under Part IX of the Excise Tax Act.
- (l) **Reporting Issuer Status.** The Purchaser is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario and is not noted as being in default on the list of reporting issuers maintained by each of the securities regulatory authorities of these provinces.
- (m) **Exchange Listing.** The Purchaser is a "Capital Pool Company" (as such term is defined in the Policy) and the Bellair Shares are listed on the Exchange. The outstanding Bellair Shares were suspended from trading on the Exchange on November 30, 2010 as a result of failing to complete a Qualifying Transaction within the time required by the Exchange. If a Qualifying Transaction is not completed by the Purchaser on or before

February 28, 2011, and the Purchaser is successful in obtaining shareholder consent, the Bellair Shares will be transferred to the NEX.

- (n) **Compliance.** The Purchaser is in compliance in all material respects with all of its obligations under the laws of its jurisdiction of incorporation and in compliance with all of its obligations as a reporting issuer in the jurisdictions where it is a reporting issuer, including those imposed pursuant to applicable securities legislation and the regulations and policies thereunder, and the Purchaser is in compliance with the Policy.
- (o) **Public Disclosure.** No material change relating to the Purchaser has occurred that has not been generally disclosed and that in relation thereto the requisite material change report has not been filed under the securities Laws of the jurisdictions where it is a reporting issuer, no such disclosure has been made on a confidential basis, and all press releases, material change reports, financial statements and other documents required to be filed by or on behalf of the Purchaser with the Exchange and the securities regulatory authority in each of the jurisdictions where the Purchaser is a reporting issuer were so filed and were true and correct in all material respects and did not contain any misrepresentation or omit to state a fact necessary in order to make the statements made in such documents not misleading or incorrect as at the respective dates of such filings.
- (p) **Information for Filing Statement.** All information with respect to the Purchaser to be contained in the Filing Statement will be at the date of the Filing Statement true, correct and up-to-date and will not at such date contain any misrepresentations or omit any fact necessary in order to make the statements made therein not misleading or incorrect
- (q) **Financial Statements.** The Purchaser's audited financial statements for the financial year ended August 31, 2010 were true and correct as at the date thereof and were prepared in accordance with GAAP. The Purchaser does not, and will not as at the date immediately preceding the Closing Date, have any material liability or obligation, whether accrued, absolute contingent or otherwise, not otherwise publicly disclosed by the Purchaser.
- (r) **Litigation.** There are no claims, actions, suits judgements, litigation or proceedings pending or, to the knowledge of the Purchaser, threatened against or affecting the Purchaser which will or may result in a Material Adverse Change or which may prevent the completion of the Acquisition, and the Purchaser is not aware of any existing ground on which any such claim, action, suit, judgement, litigation or proceeding might be commenced with any reasonable likelihood of success.
- (s) **No Cease Trade Orders.** Other than as disclosed in this Agreement, no order ceasing or suspending trading in the Bellair Shares or prohibiting the sale of the Bellair Shares has been issued against the Purchaser or any of the Purchaser's directors, officers, insiders and promoters or any other

companies that have common directors, officers, insiders and promoters, and no proceedings for this purpose have been instituted or are pending, contemplated or threatened.

- (t) **No Fees.** There is no Person acting or purporting to act at the request of the Purchaser who is entitled to any brokerage, finder's or similar fee in connection with the transactions contemplated by this Agreement, other than in connection with the Private Placement.
- (u) **No Shareholders' Agreements.** To the knowledge of the Purchaser, there are no shareholders' agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any of the Bellair Shares.
- (v) **No Reportable Disagreements.** There has never been a reportable disagreement (within the meaning of National Instrument 51-102 - *Continuous Disclosure Obligations*) with the present auditors of the Purchaser.

ARTICLE 6 PRE-CLOSING COVENANTS OF THE PARTIES

Section 6.1 Conduct of Business Prior to Closing.

- (1) During the Interim Period the Vendor shall cause the Corporation and the Subsidiaries to conduct the Business in the Ordinary Course.
- (2) Without limiting the generality of Section 6.1(1), during the Interim Period the Vendor shall cause the Corporation and each of the Subsidiaries, as applicable, to:
 - (a) use its commercially reasonable efforts to preserve intact the current business organization of the Corporation and each of the Subsidiaries, keep available the services of the present employees and agents of the Corporation and each of the Subsidiaries and maintain good relations with, and the goodwill of, suppliers, customers, landlords, creditors, distributors and all other Persons having business relationships with the Corporation and each of the Subsidiaries;
 - (b) subject to applicable Laws, confer with the Purchaser concerning operational matters of a material nature;
 - (c) use its commercially reasonable efforts to retain possession and control of the Assets and preserve the confidentiality of any confidential or proprietary information of the Business, the Corporation or the Subsidiaries;
 - (d) use its commercially reasonable efforts to not cause or permit to exist a breach of any representations and warranties of the Vendor contained in this Agreement and to conduct the Business in such a manner that on the Closing Date such representations and warranties will be true, correct and complete as if they were made on and as of such date (except to the extent that such

representations and warranties speak exclusively as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date); and

- (e) report to the Purchaser any Material Adverse Change concerning the Business, the Corporation and the Subsidiaries.
- (3) During the Interim Period, the Purchaser shall:
- (a) comply with the Policy and not take any action which would reasonably be expected to result in the delisting of the Bellair Shares from the Exchange;
 - (b) use its commercially reasonable efforts to maintain its status as a reporting issuer not in default in the jurisdictions where it is a reporting issuer;
 - (c) use its commercially reasonable efforts to obtain all necessary approvals of the Exchange for the listing on the Exchange of the Bellair Shares to be issued to the Vendor pursuant to Section 3.3 and the holders of the Compensation Shares, the Private Placement Shares and the shares issuable on exercise of the Warrants;
 - (d) use its commercially reasonable efforts to obtain Exchange acceptance that the Bellair Shares to be issued to the Vendor, pursuant to Section 3.3, and the holders of the Compensation Shares will be Value Securities (as such term is defined in the Policy) to the satisfaction of the Exchange; and
 - (e) not reach any agreement or understanding with any other party to issue any securities, other than pursuant to the terms of securities issued prior to the date hereof and which are disclosed herein, without the prior written consent of the Vendor and the Corporation. Notwithstanding the foregoing:
 - (i) In connection with the Private Placement, the Purchaser may issue up to an aggregate of 4,000,000 Units to the Private Placement subscribers and may issue, to the agent for the Private Placement, broker options equal to ten percent (10%) of the Units sold; and
 - (ii) Pursuant to the Compensation Agreements, the Purchaser may agree to the issuance of up to an aggregate of 200,000 Bellair Shares, such issuance to be conditional on the Closing.
- (4) During the Interim Period the Corporation and the Subsidiaries shall not enter into any written or oral agreement, option or warrant or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for (i) the purchase or acquisition of any of the Purchased Shares or the Subsidiary Shares, or (ii) the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Corporation or any of the Subsidiaries. Notwithstanding the foregoing:

- (a) In connection with the Pre-Closing Reorganization, the Corporation may issue up to an aggregate of 19,049 common shares in the capital of the Corporation and the Subsidiaries may issue Subsidiary Shares to the Corporation as contemplated by the Pre-Closing Reorganization; and
- (b) Pursuant to the Compensation Agreements, the Corporation may issue up to an aggregate of 3,500 common shares in the capital of the Corporation.

Section 6.2 Access for Due Diligence.

- (1) Subject to applicable Law, during the Interim Period, the Vendor shall (i) upon reasonable notice, permit the Purchaser and its employees, agents, counsel, accountants or other representatives, lenders, potential lenders and potential investors (collectively, a **"Purchaser Disclosee"**) to have reasonable access during normal business hours and at their sole risk and expense to (A) the premises of the Corporation and each of the Subsidiaries, (B) the Assets, including all Books and Records whether retained by the Vendor, the Corporation, the Subsidiaries or otherwise, (C) all Contracts and Leases, and (D) the senior personnel of the Corporation and each of the Subsidiaries, so long as the access does not unduly interfere with the ordinary conduct of the Business; and (ii) furnish to the Purchaser or a Purchaser Disclosee such financial and operating data and other information with respect to the Assets, Business, the Corporation and the Subsidiaries as the Purchaser from time to time reasonably requests.
- (2) Subject to applicable Law, during the Interim Period, the Purchaser shall (i) upon reasonable notice, permit the Vendor and its employees, agents, counsel, accountants or other representatives, lenders, and potential lenders (collectively, a **"Vendor Disclosee"**) to have reasonable access during normal business hours and at their sole risk and expense to (A) the Corporate Records and financial books and records of the Purchaser, (B) all material Contracts of the Purchaser, and (C) the senior personnel of the Purchaser, so long as the access does not unduly interfere with the ordinary conduct of the Purchaser's business; and (ii) furnish to the Vendor or a Vendor Disclosee such financial and operating data and other information with respect to the Purchaser as the Vendor from time to time reasonably requests.
- (3) No investigations made by or on behalf of one Party, whether under this Section 6.2 or any other provision of this Agreement or any Ancillary Agreement, will have the effect of waiving, diminishing the scope of, or otherwise affecting any representation or warranty made in this Agreement or any Ancillary Agreement.

Section 6.3 Confidentiality.

Until the Closing and in the event of termination of this Agreement without Closing, the Purchaser and the Vendor, as applicable (referred to as a "Disclosee" in this Section 6.3) shall keep confidential and shall not use for any improper purpose or disclose to any other Person any information obtained from the Vendor, the Corporation, the Subsidiaries, the Purchaser or their respective agents and representatives, unless such information (i) is or becomes generally available to the public other than as a result of a disclosure in violation of this Agreement, (ii) becomes available to the Disclosee on a non-confidential basis from a

source other than a Disclosee unless the Disclosee, as the case may be, knows or ought to have known that such source is prohibited from disclosing the information to such Disclosee, or any of them, as the case may be, by a contractual, fiduciary or other legal obligation to the Vendor, the Corporation, the Subsidiaries, or the Purchaser, or (iii) was known to the Disclosee, as the case may be, on a non-confidential basis before its disclosure to such Disclosee, as the case may be, by the Vendor, the Corporation, the Subsidiaries, the Purchaser or their respective agents and representatives. In the event a Disclosee is required by Law or by any by-law, rule or policy of any stock exchange to disclose any confidential information, such Disclosee shall, to the extent not prohibited by applicable Law or by any by-law, rule or policy of any stock exchange, provide the Vendor, the Corporation, the Subsidiaries or the Purchaser, as the case may be, with prompt notice of such requirements so that such Person may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 6.3. Subject to the next sentence, if this Agreement is terminated, promptly after such termination the Disclosee shall return or cause to be returned or destroyed all documents, work papers and other material (whether in written, printed, electronic or computer printout form and including all copies) obtained from the Vendor, the Corporation, the Subsidiaries, the Purchaser or their respective agents and representatives, as the case may be, in connection with this Agreement and not previously made public together with all derivative materials prepared or created by the Disclosee. The Disclosee may retain one copy of all such documents, work papers and other materials in a sealed envelope left with its solicitors, which sealed envelope is not to be opened except in circumstances where this Agreement or the transaction contemplated herein are the subject of litigation or otherwise with the consent of the Vendor or the Purchaser, as the case may be. The Purchaser shall cause each Purchaser Disclosee to comply with the provisions of this Section 6.3 and shall remain responsible to the Vendor, the Corporation and the Subsidiaries for any breach of the provisions of this Section 6.3 by any Purchaser Disclosee, as the case may be. The Vendor shall cause each Vendor Disclosee to comply with the provisions of this Section 6.3 and shall remain responsible to the Purchaser for any breach of the provisions of this Section 6.3 by any Vendor Disclosee, as the case may be.

Section 6.4 Actions to Satisfy Closing Conditions.

- (1) Each of the Vendor and the Corporation, as applicable, shall take all such actions as are within its power to control and shall use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to complete the Acquisition and satisfy all of the applicable conditions set forth in Section 7.1 and the conditions set forth in Section 7.2, including ensuring that during the Interim Period and at Closing, there is no breach of any of its representations and warranties.
- (2) The Purchaser shall take all such actions as are within its power to control and shall use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, so as to complete the Acquisition and satisfy all of the applicable conditions set forth in Section 7.1 and the conditions set forth in Section 7.3, including ensuring that during the Interim Period and at Closing, there is no breach of any of its representations and warranties.

Section 6.5 Transfer of the Purchased Shares.

The Vendor shall take all necessary steps and corporate proceedings to permit good title to the Purchased Shares to be duly and validly transferred to the Purchaser at the Closing in accordance with the terms of this Agreement, to approve the transfer of the Compensation Shares, and to cause the Compensation Shares to be transferred to the Purchaser in accordance with the terms of the Compensation Agreements, as applicable.

Section 6.6 Issuance of Bellair Shares.

The Purchaser shall take all necessary steps and corporate proceedings to permit the valid issuance of, in accordance with the terms of this Agreement: (i) the Bellair Shares to be issued to the Vendor, not be subject to any restricted period (as such term is used in the Securities Act) under applicable Laws; (ii) the Private Placement Shares, Warrants and the shares issuable on exercise of the Warrants; and (iii) the Bellair Shares to be issued to the holders of the Compensation Shares, not be subject to any restricted period (as such term is used in the Securities Act) under applicable Laws.

Section 6.7 Request for Consents.

The Vendor shall use commercially reasonable efforts to obtain or cause to be obtained, prior to Closing, all consents, approvals and waivers that are required by the terms of the Lease and Lease Assumption Agreement and the Contracts to which the Corporation or any Subsidiary is a party in order to complete the transactions contemplated by this Agreement. Such consents, approvals and waivers will be upon such terms as are acceptable to the Purchaser, acting reasonably. The Purchaser shall co-operate in obtaining such consents, approvals and waivers.

Section 6.8 Filings and Authorizations.

Each of the Parties, as promptly as practicable after the execution of this Agreement, shall (i) make, or cause to be made, all filings and submissions under all Laws applicable to it and the Policy, that are required for it to consummate the Acquisition and other transactions contemplated hereby in accordance with the terms of this Agreement, (ii) use its commercially reasonable efforts to obtain, or cause to be obtained, all Authorizations necessary or advisable to be obtained by it in order to consummate the Acquisition and the other transactions contemplated hereby, and (iii) use its commercially reasonable efforts to take, or cause to be taken, all other actions necessary, proper or advisable in order for it to fulfil its obligations under this Agreement.

Section 6.9 Notice of Untrue Representation or Warranty.

The Vendor shall promptly notify the Purchaser, and the Purchaser shall promptly notify the Vendor, upon it having actual knowledge that any representation or warranty made by it contained in this Agreement or any Ancillary Agreement is untrue or incorrect during the Interim Period and for the purposes of this Section 6.9 each representation and warranty will be deemed to be given at and as of all times during the Interim Period. Any such notification must set out particulars of the untrue or incorrect representation or warranty and details of any actions being taken by the Vendor or the Purchaser, as the case may be, to rectify that state of affairs.

Section 6.10 Letter of Credit Side Letter

Not later than ten (10) days prior to the Closing Date, the Parties shall have negotiated and settled, and caused to be executed, as the case may be, the Letter of Credit Side Letter, on terms agreeable to the Purchaser, the Corporation and Romeo DiBattista Sr., acting commercially reasonably.

Section 6.11 Exclusive Dealing.

During the Interim Period, the Vendor shall not, directly or indirectly, solicit, initiate, or encourage any inquiries or proposals from, discuss or negotiate with, provide any non-public information to, or consider the merits of any inquiries or proposals from, or enter into any agreement with, any Person (other than Purchaser) relating to any transaction involving the sale of any shares of the Vendor, the Corporation or any Subsidiary or the sale of the Business or any of the Assets (other than as permitted in this Agreement) or any other business combination.

**ARTICLE 7
CONDITIONS OF CLOSING**

Section 7.1 Mutual Conditions Precedent.

The respective obligations of the Purchaser and the Vendor to complete the transactions contemplated by this Agreement shall be subject to the satisfaction, on or before the Closing Date, of the following conditions precedent, each of which may be waived only by the mutual consent of Purchaser and the Vendor:

- (a) the Parties shall have received all necessary Authorizations and such other court and third party consents, orders, approvals and authorizations as may be required, in respect of the Qualifying Transaction, including receipt of all necessary approvals from the Exchange for the listing thereon of the Bellair Shares to be issued to the Vendor pursuant to Section 3.3, the Bellair Shares to be issued to the holders of the Compensation Shares pursuant to the terms of the Compensation Agreements, the Private Placement Shares and shares issuable on exercise of the Warrants as of the Closing Date and all the other transactions contemplated herein, as applicable, all such consents and approvals to be on terms and conditions acceptable to both parties acting reasonably, and each of the Purchaser, the Vendor and the Corporation shall be satisfied, acting reasonably, that the conditions set forth in the Exchange conditional approval letter will be met as of or within a reasonable period of time after the Closing Date;
- (b) the Vendor shall have delivered the Statement of Obligations in form and content satisfactory to all Parties, acting reasonably, in accordance with the terms of this Agreement;
- (c) the completion of the Pre-Closing Reorganization in form and substance satisfactory to all Parties, acting reasonably, including, without limitation, the establishment of the DiBattista Note and issuance of security therefore by the Corporation on terms satisfactory to all Parties, acting reasonably;

- (d) all conditions precedent to the closing of the Private Placement shall have been satisfied;
- (e) the Corporation shall have entered into the Compensation Agreements on such terms and conditions as are satisfactory to the Parties, acting reasonably, and the Compensation Shares issuable thereunder shall have been validly issued to the subscribers therefore;
- (f) the Corporation shall have obtained (directly, or through one or more of the Subsidiaries) the Financing on such terms and conditions as are satisfactory to the Parties, acting reasonably, and the Financing shall be in good standing, free of any violation or breach in accordance with the terms thereof;
- (g) the Corporation shall have acquired (directly or through one or more of the Subsidiaries) (i) the WEC Assets on such terms and conditions as are satisfactory to the Vendor and Purchaser, acting reasonably, and the Corporation shall not (directly or through one or more of the Subsidiaries) have assumed any other assets or liabilities from Waste Excellence Corporation or its associates or affiliates through the receivership administered by SF Partners Inc., and (ii) a vesting order with respect to the transfer of the WEC Assets on such terms and conditions as are satisfactory to the Purchaser and the Vendor, acting reasonably;
- (h) the Corporation shall have (directly or through one of the Subsidiaries) entered into the Lease Assumption Agreement;
- (i) all necessary insurance in favour of 2262038 Ontario Ltd., as required to be in place pursuant to the Lease or the Lease Assumption Agreement, shall be in place and evidence of such insurance shall have been provided;
- (j) the Purchaser shall have acknowledged the continuation, on a post-Closing basis and indirectly through the Corporation or one of the Subsidiaries, of each of the following encumbrances, each in form and substance satisfactory to the Parties acting reasonably:
 - (i) the Financing; and
 - (ii) the DiBattista Note;
- (k) the Purchaser shall have entered into the Letter of Credit Side Letter and satisfied the applicable obligations to be satisfied as at the Closing Date, including, without limitation, the payment of the Cash Security in accordance with the terms thereof;
- (l) the Corporation shall have (directly or through one of the Subsidiaries) entered into an employment or consulting agreement with Romeo DiBattista Jr., on terms and conditions satisfactory to the Purchaser, acting reasonably, and the Exchange, as applicable;

- (m) the appointment of the directors and officers of the Purchaser and the Corporation, as provided for under Section 2.1(6) and Section 2.1(7), shall have been effected, as necessary;
- (n) the TSXV Escrow Agreement shall have been entered into;
- (o) there shall have been no material breach by any Party of the terms of this Agreement; and
- (p) the Agreement shall not have been terminated pursuant to Article 9.

Section 7.2 Conditions for the Benefit of the Purchaser.

The obligation of the Purchaser to complete the transactions contemplated by this Agreement is subject to the following conditions being satisfied at or prior to Closing, which conditions are for the exclusive benefit of the Purchaser and may be waived, in whole or in part, by the Purchaser in its sole discretion:

- (a) **Truth of Representations and Warranties.** The representations and warranties of the Vendor and the Corporation, as applicable, contained in this Agreement or in any Ancillary Agreement that are qualified by the expression “material”, “Material Adverse Change”, “materiality” or “materially” are true and correct as of the date of this Agreement and as of the Closing or the Closing Date, as applicable, with the same force and effect as if such representations and warranties had been made on and as of such date or such time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date) and all other representations and warranties of the Vendor and the Corporation, as applicable, contained in this Agreement or in any Ancillary Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing or the Closing Date, as applicable, with the same force and effect as if such representations and warranties had been made on and as of such date or such time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date) and, in either case, except where any failures or breaches of such representations and warranties would not either individually or in the aggregate, in the reasonable judgment of the Purchaser, result in a Material Adverse Change in respect of the Corporation and the Subsidiaries, and each of the Vendor and the Corporation shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing will not constitute a waiver by the Purchaser of any of the representations and warranties of the Vendor or the Corporation which are contained in this Agreement or in any Ancillary Agreement. Upon the delivery of such certificate, the representations and warranties of the Vendor and the Corporation in Article 4 will be deemed to have been made on and as of the Closing or the Closing Date, as applicable, with the same force and effect as if

made on and as of such date or such time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date).

- (b) **Performance of Covenants.** The Vendor and the Corporation shall have fulfilled or complied with all covenants contained in this Agreement and in any Ancillary Agreement to be fulfilled or complied with by it at or prior to the Closing, and the Vendor and the Corporation shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing will not constitute a waiver by the Purchaser of any of the covenants of the Vendor and the Corporation which are contained in this Agreement or any Ancillary Agreement.
- (c) **Loan Assumption.** The Vendor shall have assumed the Loan pursuant to an assumption agreement, on terms satisfactory to the Purchaser and the Vendor, acting reasonably, to be entered into between DiBattista Industries Inc. and the Vendor, as to be acknowledged and consented to by the Purchaser, and the Purchaser shall have, in consideration therefor, executed a written release and fully discharged:
 - (i) all obligations, including outstanding principal and accrued interest, under the Loan; and
 - (ii) Romeo Di Battista Jr. from all of his obligations under the Loan as guarantor;
- (d) **DiBattista Note.** The DiBattista Note shall be in good standing, free of any violation or breach, in accordance with the terms thereof.
- (e) **Payments.** The Corporation shall have paid, in full and on terms satisfactory to the Purchaser, acting reasonably, all amounts owing to the Ministry of Environment and the City of Vaughan in respect of the Business and Assets, as applicable, which amount, in any event, may not be greater than \$2,250,000.
- (f) **Deliveries.** The Vendor shall deliver or cause to be delivered to the Purchaser the following in form and substance satisfactory to the Purchaser:
 - (i) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank, in either case by the holders of record, together with evidence satisfactory to the Purchaser that the Purchaser or its nominee(s) have been entered upon the books of the Corporation as the holder of the Purchased Shares;
 - (ii) certified copies of (i) the charter documents and by-laws of each of the Vendor, the Corporation and the Subsidiaries, (ii) all resolutions

of the shareholders and the board of directors of each of the Vendor and the Corporation approving the entering into and completion of the transaction contemplated by this Agreement and the Ancillary Agreements, and (iii) a list of the directors and officers authorized to sign agreements together with their specimen signatures;

- (iii) a certificate of status with respect to each of the Vendor, the Corporation and the Subsidiaries issued by appropriate government officials of their respective jurisdictions of incorporation and, in the case of the Corporation and the Subsidiaries, of each jurisdiction in which each of the Corporation and the Subsidiaries carries on its business; and
- (iv) the certificates referred to Section 7.2(a) and Section 7.2(b).
- (g) **Proceedings.** All proceedings to be taken by the Vendor or the Corporation in connection with the transactions contemplated by this Agreement and any Ancillary Agreement shall have been taken to the satisfaction of the Purchaser, acting reasonably, and the Purchaser shall have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of such transactions and the taking of all necessary proceedings in connection therewith.
- (h) **No Legal Action.** No action or proceeding will be pending or threatened by any Person (other than the Purchaser) in any jurisdiction, and no order or notice will have been made, issued or delivered by any Governmental Entity, seeking to enjoin, restrict or prohibit, or enjoining, restricting or prohibiting, on a temporary or permanent basis any of the transactions contemplated by this Agreement or imposing any temporary or permanent terms or conditions on the transactions contemplated by this Agreement, the Business or otherwise limiting the right of the Purchaser to conduct its business or the Business after Closing on substantially the same basis as heretofore operated.

Section 7.3 Conditions for the Benefit of the Vendor and the Corporation.

The respective obligations of the Vendor and the Corporation to complete the transactions contemplated by this Agreement are subject to the following conditions being satisfied at or prior to Closing, which conditions are for the exclusive benefit of each of the Vendor and the Corporation and may be waived, in whole or in part, by each of the Vendor and the Corporation in their respective sole discretion.

- (a) **Truth of Representations and Warranties.** The representations and warranties of the Purchaser contained in this Agreement or in any Ancillary Agreement that are qualified by the expression “material”, “Material Adverse Change”, “materiality” or “materially” are true and correct as of the date of this Agreement and as of the Closing or the Closing Date, as applicable, with the same force and effect as if such representations and warranties had been made on and as of such date or such time (except to the

extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date) and all other representations and warranties of the Purchaser contained in this Agreement or in any Ancillary Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing or the Closing Date, as applicable, with the same force and effect as if such representations and warranties had been made on and as of such date or such time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date) and, in either case, except where any failures or breaches of such representations and warranties would not either individually or in the aggregate, in the reasonable judgment of the Vendor, result in a Material Adverse Change in respect of the Purchaser, and the Purchaser shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing will not constitute a waiver by the Vendor or the Corporation of any of the representations and warranties of the Purchaser which are contained in this Agreement or in any Ancillary Agreement. Upon the delivery of such certificate, the representations and warranties of the Purchaser in Article 5 will be deemed to have been made on and as of the Closing or the Closing Date, as applicable, with the same force and effect as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date).

- (b) **Performance of Covenants.** The Purchaser shall have fulfilled or complied with all covenants contained in this Agreement and in any Ancillary Agreement to be fulfilled or complied with by it at or prior to Closing and the Purchaser shall have executed and delivered a certificate of a senior officer to that effect. The receipt of such certificate and the Closing will not constitute a waiver by the Vendor of the covenants of the Purchaser which are contained in this Agreement or any Ancillary Agreement.
- (c) **Tax Election.** The Vendor shall be entitled (but not obligated) to make a tax election under subsection 85(1) of the Tax Act and the analogous provisions of provincial or territorial income tax law with respect to the transfer by the Vendor of the Purchased Shares to the Purchaser by providing two (2) signed copies of the necessary election forms to the Purchaser within one hundred and twenty (120) days following the date upon which the Acquisition is completed, duly completed with the details of the number of Purchased Shares transferred and the applicable agreed amount or amounts for the purposes of such election. The forms will be completed by the Purchaser in regards to any required information that relates to the Purchaser, signed by the Purchaser and returned to the Vendor within thirty (30) days after the receipt thereof by the Purchaser for filing with the Canada Revenue Agency (or the applicable provincial or territorial taxing authority).

- (d) **Deliveries.** The Purchaser shall deliver or cause to be delivered to the Vendor and the Corporation, as applicable, the following in form and substance satisfactory to the Vendor acting reasonably:
- (i) share certificates representing the Bellair Shares to be issued to the Vendor pursuant to Section 3.3 together with evidence satisfactory to the Vendor that the Vendor or its nominee(s) have been entered upon the books of the Purchaser as the holder of such Bellair Shares;
 - (ii) certified copies of (i) the charter documents and extracts from the by-laws of the Purchaser relating to the execution of documents, (ii) all resolutions of the shareholders and the board of directors of the Purchaser approving the entering into and completion of the transactions contemplated by this Agreement and the Ancillary Agreements, and (iii) a list of its officers and directors authorized to sign agreements together with their specimen signatures;
 - (iii) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser issued by appropriate government officials of the jurisdiction of its incorporation;
 - (iv) the certificates referred to in Section 7.3(a) and Section 7.3(b); and
 - (v) if required by SF Partners Inc. in connection with the acquisition of the WEC Assets, an undertaking to deliver, within 10 business days after the Closing, the guarantee and indemnity issued by the Purchaser, in form and substance satisfactory to the Parties, acting reasonably, in favour of SF Partners Inc., solely in its capacity as Court Appointed Receiver and Manager of the WEC Assets (the “**Guarantee and Indemnity**”).
- (e) **Listed Issuer.** The Purchaser shall have met its obligations as a listed issuer on the Exchange or the NEX, as applicable, and as a “reporting issuer” in the applicable jurisdictions.
- (f) **No Hold Period.** Upon distribution to the Vendor of the Bellair Shares to be issued pursuant to Section 3.3, such shares will not be subject to any restricted period (as such term is used in the Securities Act) under applicable Laws.
- (g) **Proceedings.** All proceedings to be taken in connection with the transactions contemplated in this Agreement and any Ancillary Agreement shall have been taken to the satisfaction of the Vendor, acting reasonably, and the Vendor shall have received copies of all the instruments and other evidence as it may reasonably request in order to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

- (h) **No Legal Action.** No action or proceeding will be pending or threatened by any Person (other than the Vendor, the Purchaser, the Corporation or the Subsidiaries) in any jurisdiction and no order or notice will have been made, issued or delivered by any Governmental Entity seeking to enjoin, restrict or prohibit, or enjoining, restricting or prohibiting, on a temporary or permanent basis the acquisition of the WEC Assets by the Corporation and its Subsidiaries or any of the transactions contemplated by this Agreement or any Ancillary Agreement or imposing any temporary or permanent terms or conditions on the transactions contemplated by this Agreement or any Ancillary Agreement, the Business or the right of the Purchaser to conduct the Business after Closing on substantially the same basis as heretofore operated.

ARTICLE 8 CLOSING

Section 8.1 Date, Time and Place of Closing.

The completion of the Acquisition will take place at the offices of Stikeman Elliott LLP, Suite 5300, Commerce Court West, Toronto, Ontario, at 10:00 a.m. (Toronto time) on the Closing Date or at such other place, on such other date and at such other time as may be agreed upon in writing between the Vendor and the Purchaser.

Section 8.2 Closing Procedures.

Subject to satisfaction or waiver by the relevant Party of the conditions of closing, at the Closing, the Vendor shall deliver actual possession of the Purchased Shares to the Purchaser and upon such delivery the Purchaser shall pay or satisfy the Purchase Price in accordance with Section 3.3.

Section 8.3 Risk of Loss.

If, prior to Closing, all or any material part of the Assets are destroyed or damaged by fire or any other casualty or are appropriated, expropriated or seized by any Governmental Entity, the Purchaser shall have the option, exercisable by notice in writing given within 4 Business Days of the Purchaser receiving notice in writing from the Vendor of such destruction, damage, expropriation or seizure:

- (a) to complete the Acquisition without reduction of the Purchase Price, in which event (i) all proceeds of any insurance (other than business interruption insurance as provided in (ii) below) or compensation for expropriation or seizure will be retained by the Corporation and the Subsidiaries, as applicable, and (ii) all proceeds of any business interruption insurance which compensates for business lost during the Interim Period less the sum of all deductibles on all other insurance will be paid to the Vendor immediately upon receipt; or
- (b) to terminate this Agreement and not complete the transaction contemplated in this Agreement, in which case all obligations of the Purchaser and the Vendor (save and except for their respective obligations under Section 6.3,

Section 12.3, Section 12.4 and Section 12.6 which will survive) will terminate immediately upon the Purchaser giving notice as required herein.

ARTICLE 9 TERMINATION

Section 9.1 Termination Rights.

This Agreement may, by notice in writing given prior to or on the Closing Date, be terminated:

- (a) by mutual consent of the Parties;
- (b) by the Purchaser or the Vendor if any of the conditions in Section 7.1 have not been satisfied as of the Closing Date, such conditions have not been waived at or prior to Closing, and the failure to satisfy any such conditions is not the result, directly or indirectly, of a breach of this Agreement by the Party terminating the Agreement;
- (c) by the Purchaser if any of the conditions in Section 7.2 have not been satisfied as of the Closing Date and the Purchaser has not waived such condition at or prior to Closing;
- (d) by the Vendor if any of the conditions in Section 7.3 have not been satisfied as of the Closing Date and the Vendor has not waived such condition at or prior to Closing;
- (e) in the circumstances and upon the terms set out in Section 8.3; or
- (f) by either the Purchaser or the Vendor if the Closing has not occurred on or before February 28, 2011 or on or before such later date as the Parties agree to in writing, provided that neither the Purchaser nor the Vendor may terminate this Agreement under this Section 9.1(f) if it has failed to perform any one or more of its obligations or covenants under this Agreement to be performed at or prior to Closing and the Closing has not occurred because of such failure.

Section 9.2 Effect of Termination.

- (1) Each Party's right of termination under this Article is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. Nothing in this Article limits or affects any other rights or causes of action any Party may have with respect to the representations, warranties, covenants and indemnities in its favour contained in this Agreement. If a Party waives compliance with any of the conditions, obligations or covenants contained in this Agreement, the waiver will be without prejudice to any of its rights of termination in the event of non-fulfilment, non-observance or non-performance of any other condition, obligation or covenant in whole or in part.

- (2) If this Agreement is terminated pursuant to Section 9.1, all obligations of the Parties under this Agreement will terminate, except that:
- (a) each Party's obligations under Section 6.3, Section 12.3, Section 12.4 and Section 12.6 will survive; and
 - (b) if this Agreement is terminated by the Vendor or Purchaser because of a material breach of this Agreement by any other Party or because a condition for the benefit of the terminating Party has not been satisfied because any other Party has failed to perform any of its obligations or covenants under this Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 10 INDEMNIFICATION

Section 10.1 Liability for Representations and Warranties.

- (1) The representations and warranties contained in this Agreement, any Ancillary Agreement and the certificates to be delivered pursuant to Section 7.2(a) and Section 7.3(a) will survive the Closing and continue in full force and effect for a period of two (2) years after the Closing Date, except that:
- (a) the representations and warranties set out in Section 4.1(a), Section 4.1(b), Section 4.1(c), Section 4.1(d), Section 4.1(e), Section 4.1(f), Section 4.1(g), Section 4.1(h), Section 4.1(i), Section 5.1(a), Section 5.1(b), Section 5.1(c), Section 5.1(d), Section 5.1(e), Section 5.1(f), Section 5.1(g), Section 5.1(h), Section 5.1(n), Section 5.1(o) and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 7.2(a) and Section 7.3(a) will survive and continue in full force and effect without limitation of time;
 - (b) the representations and warranties set out in Section 4.1(gg) will survive and continue in full force and effect for a period of five (5) years after the Closing Date;
 - (c) the representations and warranties set out in Section 4.1(mm) (and the corresponding representations and warranties set out in the certificates to be delivered pursuant to Section 7.2(a)), will survive and continue in full force and effect until 6 months after the expiration of the period (the "**tax assessment period**") during which any tax assessment may be issued by a Governmental Entity in respect of any taxation year to which such representations and warranties extend. The tax assessment period will be determined without regard to any consent, waiver, agreement or other document, made or filed after the Closing Date that extends the period during which a Governmental Entity may issue a tax assessment. A tax assessment includes any assessment, reassessment or other form of recognized document assessing liability for Taxes under applicable Law; and

- (d) there is no limitation as to time for claims involving fraud or fraudulent misrepresentation.
- (2) No Party has any obligation or liability with respect to any representation or warranty made by such Party in this Agreement, any Ancillary Agreement or the certificates to be delivered pursuant to Section 7.2(a) and Section 7.3(a) after the end of the applicable time period specified in Section 10.1(1) except for claims relating to the representations and warranties that the Party has been notified of prior to the end of the applicable time period.

Section 10.2 No Effect of Knowledge.

The right to indemnification or other remedy of any Party based on the representations, warranties, covenants and obligations contained in this Agreement, any Ancillary Agreement and the certificates to be delivered pursuant to Section 7.2(a) and Section 7.3(a), exists notwithstanding the Closing and notwithstanding any investigation or knowledge acquired prior to the Closing.

Section 10.3 Indemnification in Favour of the Purchaser.

- (1) Subject to Section 10.5, the Vendor shall indemnify and save each of the Purchaser, the Corporation and the Subsidiaries harmless of and from, and shall pay for, any Damages suffered by, imposed upon or asserted against it or any of them as a result of, in respect of, connected with, or arising out of, under, or pursuant to:
 - (a) any breach or inaccuracy of any representation or warranty given by the Vendor or the Corporation contained in this Agreement, any Ancillary Agreement or the certificate to be delivered pursuant to Section 7.2(a);
 - (b) any failure of the Vendor, the Corporation or the Subsidiaries to perform or fulfil any of their covenants or obligations under this Agreement or any Ancillary Agreement; and
 - (c) any failure of the Vendor to transfer good and valid title to the Purchased Shares to the Purchaser, free and clear of all Liens other than (i) those restrictions on transfer, if any, contained in the articles of the Corporation, and (ii) Liens granted by the Purchaser.
- (2) The right to indemnification under Section 10.3(1)(c) exists notwithstanding Section 10.1 and notwithstanding any representation and warranty in Article 4.

Section 10.4 Indemnification in Favour of the Vendor.

- (1) Subject to Section 10.5, the Purchaser shall indemnify and save each of the Vendor, the Corporation and the Subsidiaries harmless of and from, and shall pay for, any Damages suffered by, imposed upon or asserted against it or any of them as a result of, in respect of, connected with, or arising out of, under or pursuant to:

- (a) any breach or inaccuracy of any representation or warranty given by the Purchaser contained in this Agreement, any Ancillary Agreement or the certificate to be delivered pursuant to Section 7.3(a); and
- (b) any failure of the Purchaser to perform or fulfil any of its covenants or obligations under this Agreement or any Ancillary Agreement.

Section 10.5 Limitations on Indemnification.

- (1) The Vendor has no obligation to make any payment for Damages for indemnification or otherwise with respect to the matters described in Section 10.3(1)(a) until the total of all Damages with respect to such matters exceeds \$50,000, and then only for the amount by which such Damages exceed \$50,000 up to a maximum amount of \$400,000.
- (2) Section 10.5(1) will not apply to, and the Vendor shall be liable for all Damages with respect to: (i) any breach or inaccuracy of the representations and warranties given by the Vendor in Section 4.1(a), Section 4.1(b), Section 4.1(c), Section 4.1(d), Section 4.1(e), Section 4.1(f), Section 4.1(g), Section 4.1(h), Section 4.1(i), Section 4.1(gg), and Section 4.1(mm); (ii) any claims for indemnification in Section 10.3(1)(b) through to Section 10.3(1)(d); (iii) any breach or inaccuracy of any of the Vendor's representations and warranties of which the Vendor had knowledge at any time prior to the date on which such representation and warranty was made; (iv) any claim involving fraud or fraudulent misrepresentation;
- (3) The Purchaser has no obligation to make any payment for Damages for indemnification or otherwise with respect to the matters described in Section 10.4(1)(a) until the total of all Damages with respect to such matters exceeds \$50,000, and then only for the amount by which such Damages exceed \$50,000 up to a maximum amount of \$400,000.
- (4) Section 10.5(3) will not apply to, and the Purchaser will be liable for all Damages with respect to: (i) any breach or inaccuracy of the representations and warranties given by the Purchaser in Section 5.1(a), Section 5.1(b), Section 5.1(c), Section 5.1(d), Section 5.1(e), Section 5.1(f), Section 5.1(g), Section 5.1(h), Section 5.1(n), and Section 5.1(o) and any claims for indemnification in Section 10.4(1)(b); (ii) any breach or inaccuracy of any of the Purchaser's representations and warranties of which the Purchaser had knowledge at any time prior to the date on which such representation and warranty was made; (iii) any claim involving fraud or fraudulent misrepresentation; or (iv) any intentional breach by the Purchaser of any covenant or obligation in this Agreement or any Ancillary Agreement.
- (5) This Section 10.5 shall not prohibit or restrict any claims in respect of, connected with, or arising out of, under or pursuant to the Guarantee and Indemnity, the Letter of Credit Side Letter or the Lease Assumption Agreement.

Section 10.6 Notification.

- (1) If a Third Party Claim is instituted or asserted against an Indemnified Person, the Indemnified Person shall promptly notify the Indemnifying Party in writing of the Third Party Claim.
- (2) If an Indemnified Person becomes aware of a Direct Claim, the Indemnified Person shall promptly notify the Indemnifying Party in writing of the Direct Claim.
- (3) Notice to an Indemnifying Party under this Section 10.6 of a Direct Claim or a Third Party Claim is assertion of a claim for indemnification against the Indemnifying Party under this Agreement. Upon receipt of such notice, the provisions of Section 10.9 will apply to any Third Party Claim and the provisions of Section 10.8 will apply to any Direct Claim.
- (4) The omission to notify the Indemnifying Party of a Direct Claim or Third Party Claim shall not relieve the Indemnifying Party from any obligation to indemnify the Indemnified Person, unless the notification occurs after the expiration of the specified period set out in Section 10.1 or (and only to that extent that) the omission to notify materially prejudices the ability of the Indemnifying Party to exercise its right to defend provided in Section 10.9 under this Agreement or any Ancillary Agreement.

Section 10.7 Limitation Periods.

- (1) Notwithstanding the provisions of the *Limitations Act*, 2002 (Ontario) or any other statute, a proceeding in respect of a claim for indemnification or otherwise arising from any breach or inaccuracy of any representation or warranty in this Agreement may be commenced on or before the first anniversary of the date on which the Party making the representation or warranty was notified of the claim, so long as the Party was notified of the claim prior to the end of the applicable time period specified in Section 10.1(1). Any applicable limitation period is extended or varied to the full extent permitted by Law to give effect to this Section 10.7(1).
- (2) Notwithstanding the provisions of the *Limitations Act*, 2002 (Ontario) or any other statute, a proceeding in respect of a claim for indemnification under Section 10.3(1)(c) may be commenced on or before the first anniversary of the date on which the Indemnifying Party was notified of the claim. Any applicable limitation period is extended or varied to the full extent permitted by Law to give effect to this Section 10.7(2).

Section 10.8 Direct Claims.

- (1) Following receipt of notice of a Direct Claim, the Indemnifying Party has sixty (60) days to investigate the Direct Claim and respond in writing. For purposes of the investigation, the Indemnified Person shall make available to the Indemnifying Party the information and supporting documentation relied upon by the Indemnified Person to substantiate the Direct Claim, together with such other information as the Indemnifying Party may reasonably request.

- (2) If the Indemnifying Party disputes the validity or amount of the Direct Claim, the Indemnifying Party shall provide written notice of the dispute to the Indemnified Person within the sixty (60) day period specified in Section 10.8(1). The dispute notice must describe in reasonable detail the nature of the Indemnifying Party's dispute. During the thirty (30) day period immediately following receipt of a dispute notice by the Indemnified Person, the Indemnifying Party and the Indemnified Person shall attempt in good faith to resolve the dispute. If the Indemnifying Party and the Indemnified Person fail to resolve the dispute within that thirty (30) day time period, the Indemnified Person is free, provided that the Indemnified Party does not have the power to bind the Indemnifying Party and shall take no steps which may, if completed, adversely affect the business or opportunities of the Indemnifying Party or its affiliates (as such term is defined in National Instrument 45-106), to pursue all rights and remedies available to it, subject only to this Agreement. If the Indemnifying Party fails to respond in writing to the Direct Claim within the sixty (60) day period specified in Section 10.8(1) or otherwise object to the validity or amount of the Direct Claim, acting in good faith, the Indemnifying Party is deemed to have agreed to the validity and amount of the Direct Claim and shall promptly pay in full the amount of the Direct Claim to the Indemnified Person

Section 10.9 Procedure for Third Party Claims.

- (1) Subject to the terms of this Section, upon receiving notice of a Third Party Claim, the Indemnifying Party may participate in the investigation and defence of the Third Party Claim and may also elect to assume the investigation and defence of the Third Party Claim.
- (2) The Indemnifying Party may not assume the investigation and defence of a Third Party Claim if:
 - (a) it relates to Taxes of the Indemnified Person, nor may the Indemnifying Party participate in the investigation and defence of such a claim;
 - (b) the Indemnifying Party is also a party to the Third Party Claim and the Indemnified Person determines in good faith that joint representation would be inappropriate;
 - (c) the Indemnifying Party fails to provide reasonable assurance to the Indemnified Person of its financial capacity to defend the Third Party Claim and provide a reasonable agreement of indemnification in favour of the Indemnified Person with respect to the Third Party Claim;
 - (d) the Indemnifying Party does not unconditionally acknowledge in writing its obligation to indemnify and hold the Indemnified Person harmless with respect to the Third Party Claim; or
 - (e) the Third Party Claim seeks relief against the Indemnified Person other than monetary damages or the Indemnified Person determines in good faith that there is a reasonable probability that the Third Party Claim may adversely

affect it or its affiliates (as such term is defined in National Instrument 45-106) and the Indemnified Person has notified the Indemnifying Party that it will exercise its exclusive right to defend, compromise or settle the Third Party Claim.

- (3) In order to assume the investigation and defence of a Third Party Claim, the Indemnifying Party must give the Indemnified Person written notice of its election within fifteen (15) days of the Indemnifying Party's receipt of notice of the Third Party Claim.
- (4) If the Indemnifying Party assumes the investigation and defence of a Third Party Claim:
 - (a) the Indemnifying Party shall pay for all costs and expenses of the investigation and defence of the Third Party Claim except that the Indemnifying Party shall not, so long as it diligently conducts such defence, be liable to the Indemnified Person for any fees of other counsel or any other expenses with respect to the defence of the Third Party Claim, incurred by the Indemnified Person after the date the Indemnifying Party validly exercised its right to assume the investigation and defence of the Third Party Claim;
 - (b) the Indemnifying Party shall reimburse the Indemnified Person for all reasonable costs and expenses incurred by the Indemnified Person in connection with the investigation and defence of the Third Party Claim prior to the date the Indemnifying Party validly exercised its right to assume the investigation and defence of the Third Party Claim;
 - (c) the Indemnified Person shall not contact or communicate with the Person making the Third Party Claim without the prior written consent of the Indemnifying Party, unless required by applicable Law;
 - (d) legal counsel chosen by the Indemnifying Party to defend the Third Party Claim must be satisfactory to the Indemnified Person, acting reasonably; and
 - (e) the Indemnifying Party may not compromise and settle or remedy, or cause a compromise and settlement or remedy, of a Third Party Claim without the prior written consent of the Indemnified Person, which consent may not be unreasonably withheld or delayed.
- (5) If the Indemnifying Party (i) is not entitled to assume the investigation and defence of a Third Party Claim under Section 10.9(2), (ii) does not elect to assume the investigation and defence of a Third Party Claim or (iii) assumes the investigation and defence of a Third Party Claim but fails to diligently pursue such defence, or the Indemnified Person concludes that the Third Party Claim is not being defended to its satisfaction, acting reasonably, the Indemnified Person has the right (but not the obligation) to undertake the defence of the Third Party Claim. In the case where the Indemnifying Party fails to diligently pursue the defence of the Third Party Claim **or**

- the Indemnified Person concludes that the Third Party Claim is not being defended to its satisfaction, acting reasonably, the Indemnified Person may not assume the defence of the Third Party Claim unless the Indemnified Person gives the Indemnifying Party written demand to diligently pursue the defence and the Indemnifying Party fails to do so within fourteen (14) Business Days after receipt of the demand, or such shorter period as may be required to respond to any deadline imposed by a court, arbitrator or other tribunal.
- (6) If, under Section 10.9(5), the Indemnified Party undertakes the investigation and defence of a Third Party Claim, the Indemnified Party may compromise and settle the Third Party claim but the Indemnifying Party shall not be bound by any compromise or settlement of the Third Party Claim effected without its consent (which consent may not be unreasonably withheld or delayed).
- (7) The Indemnified Person and the Indemnifying Party agree to keep each other fully informed of the status of any Third Party Claim and any related proceedings. If the Indemnifying Party assumes the investigation and defence of a Third Party Claim, the Indemnified Person shall, at the request and expense (on an out of pocket reimbursement basis only) of the Indemnifying Party, use its reasonable efforts to make available to the Indemnifying Party, on a timely basis, those employees whose assistance, testimony or presence is necessary to assist the Indemnifying Party in investigating and defending the Third Party Claim. The Indemnified Person shall, at the request and expense (on an out of pocket reimbursement basis only) of the Indemnifying Party, make available to the Indemnifying Party, or its representatives, on a timely basis all documents, records and other materials in the possession, control or power of the Indemnified Person, reasonably required by the Indemnifying Party for its use in defending any Third Party Claim which it has elected to assume the investigation and defence of. The Indemnified Person shall cooperate on a timely basis with the Indemnifying Party in the defence of any Third Party Claim.

Section 10.10 Exclusion of Other Remedies.

Except as provided in this Section 10.10, if the Closing occurs the indemnities provided in Section 10.3 and Section 10.4 constitute the only remedy of the Purchaser, the Vendor, the Corporation or the Subsidiaries, respectively, against a Party in the event of any breach of a representation, warranty, covenant or agreement of such Party contained in this Agreement. The Parties may exercise any equitable remedies, their rights of termination in Section 9.1, any rights to adjustment of the Purchase Price in Section 3.5, and their rights of indemnity in Section 12.3, and the exercise of such rights, as applicable, shall not be taken into account when determining the amounts in Section 10.5. The Parties acknowledge that the failure to comply with a covenant or obligation contained in this Agreement may give rise to irreparable injury to a Party inadequately compensable in damages. Accordingly, a Party may seek to enforce the performance of this Agreement by injunction or specific performance upon application to a court of competent jurisdiction without proof of actual damage (and without requirement of posting a bond or other security). Each of the Purchaser and the Vendor expressly waives and renounces any other remedies whatsoever,

whether at law or in equity, which it would otherwise be entitled to as against any other Party.

ARTICLE 11 POST-CLOSING COVENANTS

Section 11.1 Vendor Confidentiality.

After the Closing, the Vendor shall keep confidential all information in its possession or under its control relating to the Corporation, the Subsidiaries and the Business, unless such information is or becomes generally available to the public other than as a result of a disclosure by the Vendor in violation of this Agreement or is otherwise disclosed in accordance with Law.

Section 11.2 Further Assurances.

From time to time after the Closing Date, each Party shall, at the request of any other Party, execute and deliver such additional conveyances, transfers and other assurances as may be reasonably required to effectively transfer the Purchased Shares to the Purchaser and carry out the intent of this Agreement and any Ancillary Agreement.

Section 11.3 Listing on the Exchange and Reporting Issuer Status

After the Closing, the Purchaser shall, if applicable, obtain a graduation to the Exchange from the NEX and shall maintain the listing of the Bellair Shares on the Exchange, and shall make all requisite filings under applicable securities Laws, including those necessary for the Purchaser to remain a reporting issuer in the Provinces of British Columbia, Alberta and Ontario not in default of any applicable securities Laws, or requirements of the securities regulatory authorities, in such jurisdictions, for thirty-six (36) months.

ARTICLE 12 MISCELLANEOUS

Section 12.1 Notices.

Any notice, direction or other communication given regarding the matters contemplated by this Agreement or any Ancillary Agreement (each a “**Notice**”) must be in writing, sent by personal delivery, courier or facsimile or other electronic means including electronic mail and addressed:

(a) to the Purchaser at:

Bellair Ventures Inc.
10 Bellair Street
Toronto, ON M5R 3T8

Attention: Emlyn J. David
Telephone: (416) 840-5002
Facsimile: N/A
Email: ejdavid@bellairventures.com

(b) to the Vendor, the Corporation or the Subsidiaries, at:

R. DiBattista Investments Inc.
Suite 403, 3875 Keele Street
Toronto, Ontario M3J 1N6

Attention: Romeo DiBattista Jr.
Telephone: (905) 832-9334
Facsimile: N/A
Email: romeo@keelenorth.com

A Notice is deemed to be given and received (i) if sent by personal delivery, same day courier or electronic mail, on the date of delivery if it is a Business Day and the delivery was made prior to 5:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile, on the Business Day following the date of confirmation of transmission by the originating facsimile. A Party may change its address for service from time to time by providing a Notice in accordance with the foregoing. Any subsequent Notice must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a Notice will be assumed not to be changed.

Section 12.2 Time of the Essence.

Time is of the essence in this Agreement.

Section 12.3 Brokers.

The Vendor shall indemnify and save harmless the Purchaser, the Corporation and the Subsidiaries from and against any and all claims, losses and costs whatsoever for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Vendor, the Corporation or the Subsidiaries in connection with the Acquisition. The Purchaser shall indemnify and save harmless the Vendor from and against any and all claims, losses and costs whatsoever for any commission or other remuneration payable or alleged to be payable to any broker, agent or other intermediary who purports to act or have acted for the Purchaser in connection with the Acquisition. These indemnities are not subject to any of the limitations set out in Article 10.

Section 12.4 Announcements.

No press release, public statement or announcement or other public disclosure (a "**Public Statement**") with respect to this Agreement or the transactions contemplated in this Agreement may be made prior to or in connection with, or with respect to, the Closing except with the prior written consent and joint approval of the Vendor and the Purchaser, or if required by Law or a Governmental Entity. Where the Public Statement is required by Law or a Governmental Entity, the Party required to make the Public Statement will use its commercially reasonable efforts to obtain the approval of the other Party as to the form, nature and extent of the disclosure.

Section 12.5 Third Party Beneficiaries.

The Vendor and the Purchaser intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties. Except for the Indemnified Persons, no Person, other than the Parties, is entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person, including any Indemnified Person.

Section 12.6 Expenses.

Except as otherwise expressly provided in this Agreement, each Party will pay for its own costs and expenses incurred in connection with this Agreement, the Ancillary Agreements and the transactions contemplated by them. The fees and expenses referred to in this Section are those which are incurred in connection with the negotiation, preparation, execution and performance of this Agreement, and the transactions contemplated by this Agreement, including the fees and expenses of legal counsel, investment advisers and accountants.

Section 12.7 Amendments.

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Vendor, the Purchaser and the Corporation.

Section 12.8 Waiver.

No waiver of any of the provisions of this Agreement or any Ancillary Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

Section 12.9 Non-Merger.

Except as otherwise expressly provided in this Agreement, the covenants, representations and warranties will not merge on and will survive the Closing. Notwithstanding the Closing or any investigation made by or on behalf of any Party, the covenants, representations and warranties will continue in full force and effect. Closing will not prejudice any right of one Party against any other Party in respect of anything done or omitted under this Agreement or in respect of any right to damages or other remedies.

Section 12.10 Entire Agreement.

This Agreement, together with the Ancillary Agreements, constitutes the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, including the letter of intent between the Parties dated November 25, 2010. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as

specifically set forth in this Agreement or any Ancillary Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement and the Ancillary Agreements. If there is any conflict or inconsistency between the provisions of this Agreement and the provisions of any Ancillary Agreement, the provisions of this Agreement will govern.

Section 12.11 Successors and Assigns.

- (1) This Agreement becomes effective only when executed by the Vendor, the Corporation and the Purchaser. After that time, it will be binding upon and enure to the benefit of the Vendor, the Corporation, the Purchaser and their respective successors and permitted assigns.
- (2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Parties hereto.

Section 12.12 Severability.

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions will remain in full force and effect.

Section 12.13 Governing Law.

- (1) This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (2) Each Party irrevocably attorns and submits to the exclusive jurisdiction of the Ontario courts situated in the City of Toronto and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

Section 12.14 Counterparts.

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together will be deemed to constitute one and the same instrument.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF the Parties have executed this Transaction Agreement.

R. DIBATTISTA INVESTMENTS INC.

By: 

Authorized Signing Officer

KNR MANAGEMENT INC.

By: 

Authorized Signing Officer

BELLAIR VENTURES INC.

By: _____

Authorized Signing Officer

IN WITNESS WHEREOF the Parties have executed this Transaction Agreement.

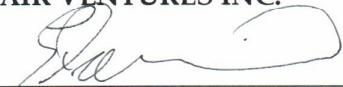
R. DIBATTISTA INVESTMENTS INC.

By: _____
Authorized Signing Officer

KNR MANAGEMENT INC.

By: _____
Authorized Signing Officer

BELLAIR VENTURES INC.

By:  _____
Authorized Signing Officer
Emilyn DAVID