

## TERMS AND CONDITIONS OF SALE

### 1. THE VENDOR

1.1 A. Farber & Partners Inc., solely in its capacity as Court-appointed interim receiver (the “**Interim Receiver**” and/or the “**Vendor**”) of the current and future assets, undertakings and properties of BRIDGELINE ROPES INC. of every nature and kind whatsoever, and wherever situate (collectively, the “**Assets**”), is offering for sale by bid and auction all of the Assets. A description of the Assets for sale is outlined on Schedule “A” attached hereto.

1.2 The Interim Receiver has obtained Orders of the Ontario Superior Court of Justice (Commercial List) dated May 26, 2008 (collectively, the “**Sale Process Orders**”) which set out, *inter alia*, the terms, conditions of sale and a timetable for bidding and an auction with respect to the purchase and sale of the Assets (the “**Sale Process**”), as further outlined below (copies of the Sale Process Orders are attached hereto as Schedule “B”).

### 2. THE SALE PROCESS

2.1 The Sale Process Orders recognize the initial bid from 2168953 ONTARIO INC. (“**NEWCO**”). The initial bid by NEWCO is contained in an Agreement of Purchase and Sale dated as of May 20, 2008, executed by the Interim Receiver and NEWCO (the “**Agreement of Purchase and Sale**”) (a copy of the Agreement of Purchase and Sale is attached hereto as Schedule “C”) as a baseline or “stalking horse bid” (the “**Stalking Horse Bid**”), in the amount of \$5,563,700 subject to adjustment, plus any and all retail sales taxes (including any goods and services taxes) and all other transfer taxes, duties or other like charges payable upon or in connection with the subject transaction (collectively, the “**Taxes**”).

2.2 The Sale Process Orders provide for, *inter alia*, the marketing and sale of the Assets by the Interim Receiver and a competitive bidding and auction procedure, to be administered by the Interim Receiver, in order to determine if a materially higher price (compared to the Stalking Horse Bid) can be obtained for the sale of the Assets.

2.3 In consideration for NEWCO’s expenditure of time and money in acting as the initial bidder in the Stalking Horse Bid and the preparation of the Agreement of Purchase and Sale, and in performing due diligence pursuant to the Agreement of Purchase and Sale, the Sale Process Orders provide for liquidated damages in the amount of **\$25,000.00** (the “**Break-Up Fee**”), payable by the Vendor to NEWCO in the event that a materially higher offer than the offer advanced by NEWCO pursuant to the Stalking Horse Bid is obtained for the Assets through the Sale Process and, as a consequence, the Vendor sells all, or substantially all of the Assets to a person or entity other than NEWCO.

2.4 In addition, the Sale Process Orders provide that in order to be accepted by the Interim Receiver, any competing bid (“**Competing Bid(s)**”) for the Assets must be on

substantially the same terms and conditions as those terms and conditions contained in the Agreement of Purchase and Sale, except with respect to price and except that Competing Bid may provide for payment of the purchase price entirely by certified cheque or bank draft (any Competing Bid(s) that are accepted by the Vendor as superior bid(s) to the Stalking Horse Bid are referred to herein as the “**Superior Bid(s)**”).

2.5 In order for any Competing Bid to be accepted by the Interim Receiver as a Superior Bid to the Stalking Horse Bid, the Competing Bid must meet all of the following minimum criteria:

- (a) the Competing Bid must be received by the Interim Receiver, in its entirety, by no later than 5:00 p.m. E.S.T. on June 20, 2008;
- (b) the Competing Bid must be accompanied by a duly executed agreement of purchase and sale, blacklined against the Agreement of Purchase and Sale, showing any and all variations from the Stalking Horse Bid, and a deposit of \$100,000 payable by way of certified cheque or bank draft pursuant to the terms of the subject Competing Bid and which is not subject to any encumbrances;
- (c) the Competing Bid must remain open for acceptance and completion until a bid has been accepted by the Vendor following the Sale Process;
- (d) the Competing Bid must be on terms no less favourable and no more burdensome or conditional than the terms of the Stalking Horse Bid and those contained in the Agreement of Purchase and Sale;
- (e) the Competing Bid must not contain any contingency relating to due diligence or financing or any other material conditions precedent to the bidder’s obligation to close that are not otherwise contained in the Stalking Horse Bid and in the Agreement of Purchase and Sale;
- (f) the Competing Bid must specify the assets that are subject to the Competing Bid, including, without limitation, any executory contracts and unexpired leases;
- (g) the Competing Bid must be made by one or more bidders who can demonstrate, in the aggregate in the event that the Competing Bid is made by more than one bidder, the financial ability to consummate the transaction contemplated by the Competing Bid on the terms specified therein; and
- (h) the Competing Bid must be for an aggregate purchase price at least equal to the aggregate purchase price stipulated in the Stalking Horse Bid, plus the Break-Up Fee, plus a minimum overbid of **\$25,000.00**.

### **3. COMPETING BID OFFERS**

3.1 Sealed bids marked “DO NOT OPEN - BID – BRIDGELINE ROPES INC.” shall be delivered or mailed postage prepaid to A. Farber & Partners Inc., Interim Receiver of Bridgeline Ropes Inc., 150 York Street, Suite 1600, Toronto, Ontario, M5H 3S5, Attention: Mr. Allan Nackan, so as to be received by the Interim Receiver by 5:00 p.m. E.S.T. on June 20, 2008.

3.2 Every Competing Bid must be in writing and submitted in the form of an amended Agreement of Purchase and Sale, as provided herein. Any Competing Bids received by the Interim Receiver that are not in the correct form may be rejected immediately by the Interim Receiver, acting in its sole and unfettered discretion.

3.3 The opening of any Competing Bid(s) received by the Interim Receiver will be conducted between June 20, 2008 and June 23, 2008, in private and in the presence of representatives of the Interim Receiver and its solicitors.

3.4 In consideration of the Interim Receiver receiving any Competing Bid and upon receipt by the Interim Receiver of any such Competing Bid, the competing bidder shall not be entitled to retract, withdraw, revoke, vary or countermand its Competing Bid.

3.5 In the event that any Competing Bids received by the Interim Receiver are on substantially the same terms, conditions and/or amounts of one another, the Interim Receiver may, subject to the approval of the Court, call upon such competing bidders to submit further bids.

3.6 No Competing Bid may contain proposals to vary, amend or supplement these Terms and Conditions of Sale.

3.7 Any documentation or other materials provided to prospective bidders relating to the Assets have been prepared solely for the convenience of prospective bidders and is not warranted to be complete or accurate, and do not form part of these Terms and Conditions of Sale. Every bidder shall be deemed to have relied entirely on its own inspection and investigation of the Assets and the title thereto.

3.8 By submitting an offer to purchase the Assets, the bidder acknowledges that it has inspected the Assets and that the Assets are being sold on an “as is, where is” basis at the time of closing and that there is no representation, warranty or condition, expressed or implied, statutory or otherwise, as to title, encumbrances, description, fitness for any purpose, merchantability, quality, quantity, state, condition (environmental or otherwise), defect (patent or latent), existence, location, value, the validity or enforceability of any rights (including intellectual property rights, any requirement for licenses, permits, approvals, consents for ownership, occupation or use or compliance with any government laws, regulations, bylaws and orders or in respect of any other matter or thing whatsoever. The Assets are specifically offered, as they now exist with no adjustments to be allowed for changes in conditions, qualities or quantities of such parcels from the date hereof to the Closing Date (as the term is defined below) of the contemplated transaction. The bidder acknowledges that the Interim Receiver is not

required to inspect or count, or provide any inspection or counting, of the Assets or any part thereof and the bidder shall be deemed, at its own expense, to have relied entirely on its own inspection and investigation. It shall be the bidder's sole responsibility to obtain, at its own expense, any consents to such transfer of the Assets and any further documents or assurances which are necessary or desirable in the circumstances.

3.9 The Interim Receiver, at its sole and unfettered discretion, may waive or vary any or all of the terms and conditions contained hereof.

#### **4. DEPOSIT**

4.1 Competing Bids shall be stated in Canadian currency and must be accompanied by a deposit in the form of a draft of or a cheque certified by a Canadian bank payable to "A. Farber & Partners Inc., Interim Receiver of Bridgeline Ropes Inc. in Trust." The deposit for any Competing Bid shall be \$100,000. If a Competing Bid is accepted to be the Winning Bid (as the term is defined below), the subject deposit shall be deemed to be a cash deposit and will be applied by the Vendor towards the purchase price of the Assets on closing of the contemplated transaction.

4.2 Cheques accompanying Competing Bids that are not accepted by the Interim Receiver to be Superior Bids will be returned to the respective bidder(s) by prepaid ordinary mail addressed to the respective competing bidders at the address set out in their offers on or before June 26, 2008.

#### **5. THE AUCTION PROCESS AND THE WINNING BID**

5.1 In the event the Interim Receiver receives one or more Competing Bids, on or before June 24, 2008, the Interim Receiver will distribute to NEWCO and the makers of the Superior Bids, the following:

- (a) an invitation to an auction of the Assets to be held within two business days (or such other date as the Vendor may designate) at 10:00 a.m. E.S.T. at the offices of the Interim Receiver's solicitors (the "**Auction**");
- (b) a copy of the bid that the Interim Receiver, acting in its sole and unfettered discretion, having regard to all of the features of the bids, believes to be the most favourable bid as between the Stalking Horse Bid and all of the Superior Bids (the "**Lead Bid**"); and
- (c) a copy of a set of rules for the conduct of the Auction, established by the Interim Receiver, acting in its sole and unfettered discretion, with a view of maximizing the price for the Assets (the "**Auction Rules**") (provided that the Auction Rules shall in all events provide that, all bids made at the Auction shall be in accordance with the terms and conditions of the Lead Bid, except for the aggregate purchase price which will be subject to improvement through bidding in the Auction; each bid made in the course of the Auction shall exceed the aggregate purchase price payable pursuant to the preceding bid (or, in the case of the first bid made at the Auction,

the Lead Bid) by no less than **\$25,000.00** increments solely for the purpose of determining the successful bid at the Action; any bid made by NEWCO at the Auction shall have added to it the Break-Up Fee; and the highest bid received at the Action shall be the “winning bid” (the “**Winning Bid**”).

5.2 Upon acceptance of the Winning Bid at the Auction, there shall be a binding agreement of purchase and sale between the successful winning bidder (the “**Purchaser**”) and the Vendor of the Assets (the “**Winning Bid Agreement**”), with respect to which the Winning Bid was accepted by the Vendor. The Winning Bid Agreement shall be constituted by:

- (a) the Stalking Horse Bid or one of the Superior Bids, as the case may be, as amended pursuant to the Auction;
- (b) these Terms and Conditions of Sale;
- (c) the amended Agreement of Purchase and Sale submitted by the Purchaser, as amended pursuant to the Auction; and
- (d) the acceptance of the Winning Bid.

5.3 The Interim Receiver will make a motion to the Court for approval of the Winning Bid as soon as is reasonably practical. Thereafter, the Interim Receiver will advise the Purchaser of the outcome of the said motion.

5.4 Title to the Assets shall not pass to the Purchaser nor shall the Purchaser be entitled to possession of same until the purchase price and all other payments to be made by the Purchaser pursuant to the Winning Bid Agreement have been paid in full, and the Purchaser has complied with all of its covenants contained herein and in the Winning Bid Agreement, which shall have been duly executed and delivered to the Vendor.

5.5 The Vendor shall not be required to pay any commission with respect to a sale made pursuant to these Terms and Conditions of Sale.

## **6. CLOSING DATE**

6.1 The closing of the contemplated transaction shall take place at the office of the Vendor’s solicitors, Blaney McMurtry LLP, 2 Queen Street East, Suite 1500, Toronto, Ontario, M5C 3G5, at 11:00 a.m. on the first Business Day which is not less than five (5) Business Days after the date of the Auction referred to in Section 5 if a Competing Bid is received, or such other date as the Parties may determine, acting reasonably (the “**Closing Date**”).

6.2 The Vendor shall not be required to produce any abstract of title, title deed or documents or copies thereof or any evidence as to title pertaining to the Assets, other than those in its possession.

## **7. EVENT OF FORFEITURE**

7.1 If the Purchaser fails to comply with the terms and conditions of the Winning Bid Agreement, or any of them, all deposits shall be forfeited to the Vendor on account of agreed liquidated damages, the Assets being conveyed to the Purchaser may be resold by the Vendor, and the Purchaser shall pay to the Vendor on demand: (i) an amount equal to the amount, if any, by which the purchase price under the Winning Bid Agreement exceeds the net purchase price received by the Vendor pursuant to such resale, and (ii) an amount equal to all costs and expenses incurred by the Vendor in respect of or occasioned by the Purchaser's failure to comply with the Winning Bid Agreement.

## **8. GENERAL**

8.1 A. Farber & Partners Inc. is acting solely in its capacity as interim receiver of the current and future assets, undertakings and properties of Bridgeline Ropes Inc. and shall have no personal or corporate liability hereunder or from any agreement contemplated hereby or as a result of any contemplated sale.

8.2 The terms and conditions contained herein shall not merge on the closing of the transaction contemplated herein but shall survive such closing and remain in full force and effect and be binding on the Purchaser thereafter.

8.3 The terms and conditions hereunder shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

8.4 The terms and conditions contained herein shall enure to the benefit of and be binding upon the parties thereto and their permitted heirs, executors, administrators, successors or assigns, as the case may be.

8.5 Unless otherwise provided herein, any tender of documents or money hereunder may be made upon the Vendor or the Purchaser, or their respective solicitors. Money may be tendered by cheque certified by a Canadian chartered bank, Canadian trust company or by bank draft.

8.6 The obligations of the Vendor to complete any agreement contemplated herein or hereby shall be relieved if, on or before the closing of such sale, the Assets or any part thereof which are the subject of the sale have been removed from the control of the Vendor by any means or process, enjoined, or the Assets, or any part thereof, are redeemed, whereupon the only obligation of the Vendor shall be to return the applicable deposit, without interest, deduction costs or compensation.

8.7 The Purchaser shall not assign the Winning Bid Agreement without the Interim Receiver's prior written approval, which approval may be granted or withheld in the Interim Receiver's sole and unfettered discretion.

8.8 Time is of the essence of any agreement entered into pursuant to these Terms and Conditions of Sale, any rule of law or equity to the contrary notwithstanding.

8.9 The Vendor reserves its rights, subject to Court approval, to withdraw the Assets or any part thereof on or before the Closing Date if there is any actual or threatened litigation with respect to any of the Assets or if any Asset has been redeemed or is subject to any lien or encumbrance which the Vendor cannot remove and the Purchaser will not assume. The Vendor shall be under no obligation to compensate any third party in order to complete any applicable agreement and shall return the deposit to the Purchaser without interest, costs or compensation.

8.10 Unless the context otherwise requires, words importing the singular include the plural and vice versa.

8.11 The submission of a bid by a resident of the Province of Quebec will be deemed to constitute the declaration and acknowledgement by such resident that it has requested these Terms and Conditions of Sale, the form of bid referred to herein and all other documentation relating to its bid and the acceptance thereof to be drawn up in the English language.

8.12 La présentation d'une soumission par une personne résident dans la province de Québec constituera la déclaration et la reconnaissance expresse par la soumissionnaire qu'il a consenti que ces Termes et Conditions de Vente, la formule de soumission mentionnées en ceci et tous autres documents relatifs à la soumission et a son acceptation soient rédigés en langue anglaise.

DATED at Toronto, this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

**A. FARBER & PARTNERS INC.**, solely in its capacity as interim receiver of the current and future assets, undertakings and properties of Bridgeline Ropes Inc. (the "Debtor") and on behalf of the Debtor and not in its personal capacity

Per:

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