

## APPENDIX "A"

### STALKING HORSE BID, BID PROCEDURES AND BREAK FEES

Set forth below are the Terms and Conditions of Sale (the “**Terms and Conditions of Sale**”) to be employed with respect to the sale of the assets, properties and undertaking (the “**Purchased Assets**”) of MPH Graphics Inc. (the “**Company**” or the “**Vendor**”) as more particularly defined in the Stalking Horse Asset Purchase Agreement (the “**Agreement**”). Any defined terms used below denoted by initial capital letters, not otherwise expressly defined, shall have the meaning given to such term in the Agreement. It is expressly acknowledged and agreed that notwithstanding any other provision herein, the stalking horse sales process shall occur in accordance with this essential timetable and in the event of any conflict between the provisions of this timetable and any other provision of this Agreement, the provisions of this timetable set out in the immediately following chart shall govern to the extent necessary (and only to the extent necessary) to resolve the conflict:

Advertisement in The Globe & Mail Report on Business	January 10, 2014 or as soon as thereafter as is practical
Summary information document distributed to interested parties	Commencing January 10, 2014
Confidentiality Agreement distributed to interested parties	Commencing January 10, 2014
Confidential Information Memorandum circulated to interested parties after receipt of signed Confidentiality Agreement	Commencing January 10, 2014
Data room access provided to interested parties after receipt of signed Confidentiality Agreement	Commencing January 16, 2014
Deadline for submission of bids	January 31, 2014 (3:00 PM Toronto time)
Bidders notified of Qualified Bidder status	No later than February 5, 2014 – provided that in the event that there are no Qualified Bidders, the Vendor and the Purchaser shall proceed to close the transaction called for under this Agreement on the 7 <sup>th</sup> day of February, 2013 or such other day as the said parties may agree upon in writing
Indication by Qualified Bidders of intention to participate in Auction (if necessary)	February 7, 2014 (5:00 PM Toronto time)
Auction (if necessary)	February 12, 2014 (10:00 AM Toronto time)

Court motion to approve Successful Bid	By February 26, 2014
Transaction close after completion of Auction Process	As agreed by the parties, provided that such closing shall be no later than ten (10) Business Days of Court approval

**Marketing Process and Identifying Potential Bidders**

Upon Court approval of the Agreement, the Proposal Trustee will immediately commence the following marketing process:

- (a) a list of potential buyers has been identified by the Proposal Trustee and will be advised of the current opportunity to acquire the assets introduced;
- (b) an advertisement will be placed in the national edition of the Globe and Mail newspaper on the 10th day of January, 2014, or as soon thereafter as practical, and
- (c) a notice will be placed on the website of the Proposal Trustee.

**Due Diligence**

- 2. A confidential information memorandum (“**CIM**”) has been prepared and will be provided to all interested parties that sign the Proposal Trustee’s form of confidentiality agreement and who the Proposal Trustee determines is likely, based on the non-binding Letter of Intent and financial information submitted by the bidder, the availability of financing and other considerations deemed relevant by the Proposal Trustee, to be able to consummate a sale if selected as the Successful Bidder, as defined below (a “**Potential Bidder**”).
- 3. A Potential Bidder will be provided access to a data room containing detailed information regarding the assets to enable it to perform its due diligence.
- 4. A Potential Bidder will be also be provided with a business tour, facilitated by the Proposal Trustee, to supplement its due diligence procedures.
- 5. Potential Bidders are cautioned not to rely upon any documentation or information provided by or on behalf of the Proposal Trustee. Any such documentation or other material provided with respect to the Business was prepared solely for the convenience of Potential Bidders and is not warranted to be complete or accurate, has not been independently verified, and is not part of these Terms and Conditions of Sale or the Agreement. Each Potential Bidder shall be deemed to have relied entirely on its own inspection and investigation in submitting its offer. Potential Bidders are required to obtain such third party consents as they consider necessary. Potential Bidders are to make such independent enquiries, as they deem necessary, concerning the Purchased Assets prior to submitting their offer.

**Bid Deadline**

6. A Potential Bidder that desires to make a bid (a "Bidder") shall deliver written copies of its bid together with the other Bid Requirements set forth below to the Proposal Trustee not later than 3:00 p.m. (Toronto Time) on the 31st day of January, 2014 (the "Bid Deadline").

**Bid Requirements**

7. All bids must be received not later than the Bid Deadline and include:
  - (a) an offer to pay a cash purchase price greater than the aggregate consideration offered by the Stalking Horse Bidder pursuant to the Agreement, plus the amount of the break fee of \$100,000.00 plus an overbid in the amount of \$100,000.00 (which in aggregate equals the Break Fee amount plus the bid increment proposed by the Vendor in the Auction process);
  - (b) no provision making the offer subject to any due diligence, financing condition or other contingencies (including representations, warranties, covenants, and timing requirements) of any kind or any other conditions precedent on such party's obligation to acquire the Purchased Assets other than as may be specifically included in the Agreement;
  - (c) an executed copy of a purchase agreement in the form of the Agreement, together with a blackline copy of the Agreement reflecting any changes made to the Agreement, shall be submitted to the Proposal Trustee and shall be binding and irrevocable until either (i) such time as the Proposal Trustee rejects a Bidder's Bid in accordance with paragraph 11 herein; (ii) at the conclusion of the Auction, if held, each respective Qualified Bidder (as defined herein) does not become the Successful Bidder; or (iii) if the Court does not approve the Successful Bidder's Accepted Bid;
  - (d) a certified cheque, bank draft or wire transfer drawn on a Canadian Schedule "1" Chartered Bank (an "**Acceptable Institution**") or by bankers draft from an Acceptable Institution in the amount of ~~\$500,000~~ payable to the Proposal Trustee's legal counsel in trust. This amount will either (i) be applied to satisfy the purchase price of a Successful Bidder, the balance of which purchase price shall be due on closing; (ii) be returned to the Bidder if its bid is not successful at the Auction (subject to the other provisions of these Terms and Conditions of Sale) or approved by the Court, or (iii) be forfeited to the Proposal Trustee in the event that the Successful Bidder breaches its obligations pursuant to the Agreement or an Accepted Bid (as defined herein); #200,000
  - (e) A representation of the Bidder and written evidence of available cash and/or a commitment for financing to evidence the Bidder's ability to consummate the proposed transaction as the Proposal Trustee may reasonably request;

- (f) A copy of a resolution or similar document demonstrating authority to make an irrevocable bid, and to execute the transaction contemplated by the offering bid for the Purchased Assets;
- (g) A disclosure of the identity of each entity that will be bidding for the Purchased Assets or otherwise participating with such bid and the complete terms of any such participation;
- (h) A disclosure of the identity of each of the officers and directors or partners, as the case may be, of each entity bidding for the Purchased Assets or otherwise participating with such bid;
- (i) An acknowledgement by such Bidder that if its bid becomes a Qualified Bid and the bidder becomes a Qualified Bidder (as such terms are hereinafter defined) that the such Qualified Bidder's continued participation in any Auction is on a non-exclusive basis; and
- (j) A description of the Bidder's current operations.

#### **Qualified Bids**

- 8. A bid received from a Bidder not later than the Bid Deadline that meets the above requirements will be considered a "Qualified Bid" and each Bidder that submits a Qualified Bid will be considered a "Qualified Bidder."
- 9. The Agreement shall be deemed to be a Qualified Bid and the Purchaser shall be deemed to be a Qualified Bidder for all purposes and requirements pursuant to the sale procedures set out this Schedule (the "**Sale Procedures**"), notwithstanding the requirements that other potential Bidders must satisfy to be considered a Qualified Bidder.
- 10. Qualified Bids will be valued and assessed by the Proposal Trustee in its sole commercial discretion based upon any and all factors that the Proposal Trustee may deem pertinent.
- 11. The Proposal Trustee, in its business judgment, reserves the right to reject any bid if such bid:
  - (a) is on terms that are more burdensome or conditional than the terms of the Agreement;
  - (b) requires any indemnification of such Bidder;
  - (c) excludes assets or contracts, or leases of the Vendor;
  - (d) is not received by the Bid Deadline;
  - (e) includes non-cash consideration; or
  - (f) includes any other considerations that the Proposal Trustee may deem relevant to the bid.

12. Any bid rejected pursuant to Paragraph 11 above, shall not be deemed to be a Qualified Bid.
13. The Proposal Trustee will advise all Bidders by email whether or not they are a Qualified Bidder by 5 PM (Toronto time) on the 5th day of February, 2014 or by such further date as the Proposal Trustee may determine in its sole discretion, but in any event not less than 48 hours before the start of the Auction (the "Notification Date").

#### **The Auction and Auction Procedures**

14. If the Proposal Trustee determines that it has received more than one Qualified Bid (including the Agreement), it will invite Qualified Bidders to participate in an Auction, as described in more detail below (the "Auction"). If the Proposal Trustee does not receive any Qualified Bids other than the Agreement, it will not hold an Auction, in which case the Agreement will be deemed the Successful Bid (as this term is defined herein) and the Purchaser will be named the Successful Bidder (as this term is defined herein) and the Vendor will proceed towards completion of the Transaction in accordance with its terms.
15. By 3 PM (Toronto time) on the 7th day of February, 2014, each Qualified Bidder must inform the Proposal Trustee, by email, whether it intends to participate in the Auction.
16. The Proposal Trustee will promptly thereafter inform, in writing, each Qualified Bidder who has expressed its intent to participate in the Auction of the identity of all other Qualified Bidders that have expressed their intention to participate in the Auction and will provide copies of all other Qualified Bids to such Qualified Bidders.
17. Only the authorized representatives, professionals or agents of the Purchaser and each other Qualified Bidder identified in advance to the Proposal Trustee, shall be eligible to participate at the Auction.
18. The Auction, if any, shall be conducted by the Proposal Trustee, commencing on the 12th day of February, 2014 at 10 AM. (Toronto Time) at the offices of Miller Thomson LLP, Suite 5800, 40 King Street West, Toronto, Ontario M5H 3S1.
19. At the Auction, the bidding will start at the aggregate consideration for the Purchased Assets and terms proposed in the offer that the Proposal Trustee selects as the highest and best offer prior to the Auction and will continue in cash increments of at least \$5,000.00.
20. The Proposal Trustee, in its sole discretion, may adjourn the Auction at any time to permit the Qualified Bidders and the Stalking Horse Bidder, the opportunity to consider improved bids.
21. During the Auction, Qualified Bidders, including the Purchaser, may submit revised bids that otherwise comply with the rules of this bidding and Auction process (a "Revised Bid").
22. If no Qualified Bidder submits a Revised Bid after a period of 15 minutes following the Proposal Trustee's acceptance of a Revised Bid and the Proposal Trustee in its sole discretion chooses not to adjourn the Auction further, the Auction will be concluded

whereupon the Proposal Trustee shall enter into a binding agreement of purchase and sale with the Qualified Bidder or the Purchaser (the "**Accepted Bid**") that submitted the leading bid as determined by the Proposal Trustee in its sole discretion (the "**Successful Bidder**"). The bid process shall end at the conclusion of the Auction.

23. The Successful Bidder agrees to do all such things as may be required by the Proposal Trustee to obtain Court approval of the Accepted Bid.
24. Subject to the Proposal Trustee obtaining the approval and vesting order in respect of the Accepted Bid, if the Successful Bidder fails to consummate the transaction by the 10th Business Day following Court approval (or such date that may otherwise be mutually agreed upon in writing), the Proposal Trustee shall be authorized but not required to deem that the Successful Bidder has breached its obligations pursuant to the Accepted Bid, has forfeited its deposit to the Proposal Trustee, and the Company and the Proposal Trustee are authorized to seek an alternative bidder for the Purchased Assets.
25. Except for the Purchaser with respect to the Breakup Fee, Potential Bidders, Bidders and/or Qualified Bidders shall not be allowed any breakup, termination or similar fee or expense reimbursement. For greater certainty, Potential Bidders, Bidders and/or Qualified Bidders/Successful Bidder shall be responsible for all of their own professional and other fees and costs relating to their investigation or closing of any transaction in this regard.
26. The Proposal Trustee shall have the right to adopt and implement such other rules for the Auction as may be necessary to promote the goals of this bid process generally.
27. The highest or any offer will not necessarily be accepted.

#### **Court Approval**

28. The sale of Purchased Assets is subject to an approval and vesting order being issued by the Court.
29. Pursuant to these Stalking Horse and Terms and Conditions of Sale, the Proposal Trustee shall report to the Court and provide its recommendations to the Court regarding the sale of the Purchased Assets by the 26th day of February, 2014, if necessary or as soon thereafter as the Court may allow.
30. The Proposal Trustee shall not be required to pay any commission or finder's fee with respect to any sale pursuant hereto.

#### **"As is, where is"**

31. The Purchased Assets are being sold on an "as is, where is" basis and no warranty, condition or representation, whether statutory, express or implied is being given by the Proposal Trustee as to the description, condition, state, cost, size, quality, fitness for purpose, merchantability, or in respect to any other matter or thing whatsoever concerning the Purchased Assets other than as set out herein. The Purchaser is deemed to have satisfied itself with regard to all of the foregoing and any matter or thing whatsoever in respect of the Purchased Assets.

### Miscellaneous

32. The Purchased Assets shall be and remain at the risk of the Vendor until closing. From and after closing, the Purchased Assets shall be at the Successful Bidder's risk. Pending closing, the Vendor shall hold any insurance policies or proceeds thereof in trust for itself, the Successful Bidder and others as their respective interests may appear. In the event of substantial damage to or loss prior to closing of the Purchased Assets which are insured, the Successful Bidder may elect by notice in writing, 15 days after receiving notice from the Proposal Trustee, of such damage or loss, either to close the Agreement and receive the remaining Purchased Assets and the proceeds of the insurance, or may rescind the Agreement, have all moneys theretofore paid returned without interest, costs, deduction or compensation, but shall have no further or other right to damages, costs, specific performance or any other remedy.
33. The Successful Bidder shall pay on closing, in addition to the purchase price, all applicable federal, provincial and municipal taxes in connection with the sale and transfer of the Purchased Assets.
34. The Successful Bidder shall, at its own cost and expense, be responsible for compliance with all municipal, provincial and federal laws insofar as they apply to the Purchased Assets and the use thereof by the Successful Bidder from and after closing.
35. All stipulations as to time are strictly of the essence.
36. Any tender of documents or money hereunder may be made upon the Proposal Trustee or its solicitor. Money may only be tendered by certified cheque, bank draft or wire transfer drawn on an Acceptable Institution.
37. The purchase agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and applicable laws of Canada and enure to the benefit of and be binding upon the parties thereto and their respective heirs, executors, administrators, successors or assigns as the case may be.
38. The obligations of the Vendor to complete any purchase agreement shall be relieved if, on or before the closing of such sale, any asset which is the subject of the sale has been removed from the control of the Vendor by any means or process, or any such asset is redeemed, or if the completion of the sale is restrained or prohibited by an injunction or other order issued by a court of competent jurisdiction, whereupon the only obligation of the Vendor shall be to return the applicable deposit, without interest, deduction, costs or compensation.