



**First Report to Court of  
KSV Kofman Inc.  
as Receiver and Manager  
of Certain Property of  
Besco International Investment Co., Ltd.**

**May 17, 2019**

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COURT FILE NO.: CV-18-605366-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

BETWEEN:

WEICHANG YANG

APPLICANT

- AND -

BESCO INTERNATIONAL INVESTMENT CO., LTD.

RESPONDENT

FIRST REPORT OF  
KSV KOFMAN INC.  
AS RECEIVER AND MANAGER  
AND NOT IN ITS PERSONAL CAPACITY

MAY 17, 2019

## 1.0 Introduction

1. This report ("Report") is filed by KSV Kofman Inc. ("KSV") as receiver and manager ("Receiver") of the real property of Besco International Investment Co., Ltd. (the "Company") located at 414 Croft Street, Port Hope (the "Real Property") together with all other assets and properties of the Company acquired for, or used in relation to the Real Property, and all rents and other proceeds thereof (collectively, including the Real Property, the "Property").
2. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated February 13, 2019, which became effective on March 18, 2019 (the "Receivership Order"), KSV was appointed as the Receiver. The application to appoint the Receiver was made by Weichang Yang, the sole registered mortgagee of the Property. A copy of the Receivership Order is attached as Appendix "A".
3. On May 15, 2019, the Company filed materials seeking an Order, among other things, lifting the stay of proceedings in the Receivership Order to permit the Company to redeem the mortgage held by Mr. Yang and terminating this receivership proceeding.

### 1.1 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide background information about the Company, the Property and these proceedings;

- b) summarize the Receiver's correspondence with the Company regarding the tenancy of Viceroy Houses Ltd. ("Viceroy") at the Property;
- c) summarize the Company's efforts to redeem the mortgage held by Mr. Yang (the "Redemption");
- d) recommend that the Receiver be discharged of its duties and obligations under the Receivership Order subject to it filing a certificate with the Court confirming that the Redemption has been completed (the "Discharge Certificate");
- e) provide an overview of the Receiver's activities since the date of its appointment;
- f) detail the fees and disbursements of the Receiver and its counsel, DLA Piper (Canada) LLP ("DLA"), from the commencement of these proceedings to April 30, 2019, plus an accrual of \$60,000 for fees incurred or to be incurred by the Receiver and DLA to the completion of these proceedings, exclusive of HST and disbursements (the "Fee Accrual"), and seek approval of same; and
- g) recommend that the Court issue an order:
  - i. discharging the Receiver upon the filing of the Discharge Certificate;
  - ii. directing the Registrar to amend the parcel register to delete the Receivership Order from title to the Real Property as defined herein and having the legal description set out in Schedule "A" to the Receivership Order;
  - iii. releasing the Receiver from any and all liability that KSV now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of KSV while acting as Receiver, save and except for its gross negligence or wilful misconduct;
  - iv. approving the Receiver's activities as detailed in this Report; and
  - v. approving the fees and disbursements of the Receiver and DLA as detailed in the affidavits filed by representatives of KSV and DLA, including the Fee Accrual.

## **1.2 Currency**

1. All references to currency in this Report are in Canadian dollars.

## **1.3 Restrictions**

1. In conducting its review and preparing this Report, the Receiver has relied upon limited financial and other information supplied by the Company's counsel.
2. The Receiver has not performed an audit or other verification of such information. The Receiver expresses no opinion or other form of assurance with respect to the information presented in this Report.

## 2.0 Background

1. The Company is a holding company incorporated in March 2009 pursuant to the *Business Corporations Act* (British Columbia). The Receiver understands that the Company's sole director and shareholder is Hui Gang (Andrew) Sun.
2. The Company owns the Real Property, which comprises a 150,000 square foot single-tenant warehouse and office space located on a 25-acre property in Port Hope.
3. The only known creditors regarding the Property are: a) Mr. Yang, who is owed approximately \$4 million by the Company, plus interest, enforcement costs and disbursements, which continue to accrue; and b) the Municipality of Port Hope (the "Municipality"), which is presently owed property tax arrears of approximately \$1 million.
4. Copies of the materials filed in the receivership proceedings are available on the Receiver's website at: <https://www.ksvadvisory.com/insolvency-cases/case/besco-international-investment-co-limited>.

## 2.1 Viceroy

1. The Property is occupied by Viceroy pursuant to a lease dated January 1, 2016 (the "Lease"). The Receiver understands that Mr. Sun also owns Viceroy, which is or had been a manufacturer of pre-engineered homes. The term of the lease is from January 1, 2016 to December 31, 2020 and provides Viceroy with the option to renew for an additional three months. A copy of the Lease is attached as Appendix "B".
2. As the Lease is non-arm's length, the terms are incomplete as it relates to the following:
  - a) Rent is specified for the first three years; however, the Lease does not specify the rent payable in the fourth and fifth year of the term;
  - b) The Lease does not specify whether the landlord or the tenant is responsible for the payment of property taxes, maintenance or utilities;
  - c) No deposit was payable upon commencement of the Lease term; and
  - d) Other standard terms are not included, including remedies in the event of default.
3. Upon its appointment, the Company's counsel advised the Receiver that rent was not current. Despite requests by the Receiver, the Company's counsel did not provide information on the extent of the rent arrears, nor any bank statements or recent accounting records.
4. On March 22, 2019, the Receiver directed Viceroy to make all payments in respect of rent payable to the Receiver.

5. On March 28, 2019, the Receiver attended at the Real Property and met Tony Ku, Viceroy's Office Manager. Mr. Ku advised the Receiver that:
  - a) Viceroy's business has been inactive for the past year;
  - b) The last order of significance was completed in early 2018;
  - c) Most of the inventory is obsolete;
  - d) Equipment is being maintained by Viceroy's six employees, although some of them are volunteers; and
  - e) Mr. Sun deals with accounting matters.
6. As Viceroy did not remit payment on April 1, 2019, the Receiver's counsel issued a notice of default ("Notice") on April 4, 2019 and advised that, among other things, the Receiver would be in a position to take possession of the Property if the rent for April 2019 is not received by April 16, 2019.
7. As at the date of this Report, Viceroy has not made any payments to the Receiver. As such, the Receiver was required to borrow \$15,000 from Mr. Yang pursuant to a Receiver's Certificate in order to pay for expenses associated with the Property ("Receiver Borrowings").
8. The Receiver prepared a statement of receipts and disbursements as at April 30, 2019, a copy of which is provided in Appendix "C". As reflected therein, there is approximately \$10,000 in the Receiver's estate account.

### **3.0 Sale Process**

1. The Receiver solicited proposals from four commercial real estate brokerages ("Realtor") to act as listing agent ("Agent") for the Real Property. The Receiver requested that each Realtor provide: their experience with insolvency transactions, their experience selling similar real estate, a marketing plan, an estimate of the value of the Real Property and their proposed commission structure. A copy of the RFP is provided as Appendix "D".
2. Each Realtor was provided access to an electronic data room after it executed a confidentiality agreement.
3. On April 2, 2019, the Realtors were provided a tour of the Real Property.
4. The deadline to submit proposals was April 8, 2019.
5. Three of the Realtors submitted proposals. The Receiver prepared a summary of the proposals and subsequently met with each of the Realtors.
6. The Receiver will provide additional information regarding the recommended Agent and sale process if the Redemption (as discussed in Section 4) does not close by May 31, 2019.

## 4.0 Redemption

1. In the months leading up to the Receivership Order, the Company advised Mr. Yang and the Court that it was seeking alternative financing to repay Mr. Yang. On numerous occasions, the Company advised that new financing was imminent, or had been committed subject to minor diligence.
2. The Company's attempts to locate financing continued after the Receiver's appointment. Law firms representing the Company and prospective lenders, in addition to mortgage brokers representing Mr. Sun, made several requests for payout statements. They also advised that financing was in place and a repayment plan was being negotiated with the Municipality.
3. The Receiver and its counsel responded that the Receiver would be prepared to seek its discharge if the Company could provide evidence of funds, without conditions, to: a) repay Mr. Yang and the Municipality in full, and b) pay the Receiver a reserve of \$250,000 ("Reserve") in respect of its professional costs, disbursements and the Receiver Borrowings. The Receiver also advised that if the Company would not be paying the Municipality in full then the Receiver would require a copy of any payment plan with the Municipality and would confirm the terms thereof with the Municipality.
4. On April 23, 2019, the Company's counsel provided the Receiver with three mortgage loan agreements (the "Loan Agreements"). The Loan Agreements provide for new first, second and third mortgages in the amounts of \$2 million, \$2.1 million and \$200,000, respectively. The Loan Agreements also require, among other things, that property taxes be paid in full. Copies of the Loan Agreements are provided in Appendix "E".
5. On April 26, 2019, the Receiver's counsel advised the Company's counsel that, by their terms, the Loan Agreements were incapable of being completed ("April 26<sup>th</sup> Letter") as the funds would be insufficient to repay the full indebtedness. A copy of the April 26<sup>th</sup> Letter is provided in Appendix "F".
6. In response to the April 26<sup>th</sup> Letter, the Company provided the Receiver with a property tax arrears payment arrangement with the Municipality, a copy of which is provided in Appendix "G". The Municipality confirmed to the Receiver that it had agreed to a payment plan with the Company. The Company also provided the Receiver with notices waiving the requirements in the Loan Agreements that property taxes be paid in full, copies of which are provided in Appendix "H".
7. As set out in the Company's motion record, the Receiver understands that the Company is in a position to complete the Redemption, which is subject to, among other things, the Receiver's discharge.
8. The Receiver has advised the Company that, should the Redemption not close on or prior to May 31, 2019, the Receiver will immediately bring a motion to appoint an Agent and seek approval of a sale process for the Property.

## 5.0 Receiver's Discharge

1. Once the Receiver receives confirmation that the Redemption has been completed and it receives the Reserve, it will file the Discharge Certificate with the Court as its duties and responsibilities under the Receivership Order will have been completed.
2. Concurrent with the filing of the Discharge Certificate or immediately thereafter, the Receiver will complete any sundry tasks required to complete its administration of the receivership, including preparing and filing the Receiver's final report pursuant to Section 246 of the *Bankruptcy and Insolvency Act*, repaying the Receiver Borrowings and returning any surplus funds in the Reserve to the Company.

## 6.0 Overview of the Receiver's Activities

1. In addition to the activities detailed above, the Receiver's activities have included the following:
  - Reviewing the application materials filed by Mr. Yang and the responding materials filed by Mr. Sun;
  - Corresponding with the Company's counsel to obtain information on the Property;
  - Preparing a Notice and Statement of the Receiver pursuant to Subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;
  - Corresponding with Viceroy regarding the payment of monthly rent;
  - Corresponding with Mr. Yang regarding potential borrowings by the Receiver;
  - Registering a charge against the Property;
  - Reviewing the Lease and corresponding with DLA in that regard;
  - Reviewing the Company's insurance and corresponding with its insurance broker;
  - Dealing extensively with insurance matters and arranging for continued insurance coverage for the Real Property;
  - Corresponding with and providing regular updates to Mr. Yang's counsel regarding these proceedings, including the status of the Redemption;
  - Attending at the Real Property and meeting with representatives of Viceroy;
  - Meeting with the Realtors at the Real Property;
  - Reviewing the listing proposals and attending presentations with the Realtors;



- Corresponding with representatives of the Municipality regarding property tax arrears;
- Preparing a listing agreement;
- Reviewing the Loan Agreements;
- Responding to calls from Mr. Sun's mortgage brokers;
- Reviewing the Company's motion record and draft order;
- Drafting this Report; and
- Other matters pertaining to the administration of this mandate.

## 7.0 Professional Fees

1. The fees of the Receiver and of DLA for the period March 18, 2019 to April 30, 2019 total \$54,831 and \$33,330, respectively, excluding disbursements and HST. Fee affidavits and accompanying invoices in respect of the fees and disbursements of the Receiver and DLA for these periods are attached as Appendices "I" and "J", respectively, to this Report.
2. The average hourly rate for the Receiver and DLA for the referenced billing period was \$533 and \$784, respectively.
3. The Receiver is of the view that DLA's hourly rates are consistent with the rates charged by large law firms practicing in the area of insolvency in the Toronto market, and that the fees charged are reasonable and appropriate in the circumstances.
4. The Receiver believes that the Fee Accrual is sufficient to cover its fees and the fees of DLA to the completion of these proceedings.

## 8.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that the Court make an order granting the relief detailed in Section 1.1 1(g) of this Report.

\* \* \*

All of which is respectfully submitted,

*KSV Kofman Inc*

**KSV KOFMAN INC.,  
SOLELY IN ITS CAPACITY AS COURT-APPOINTED RECEIVER AND MANAGER  
OF THE PROPERTY OF BESCO INTERNATIONAL INVESTMENT CO., LTD. AND  
NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

## **Appendix “A”**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR ) WEDNESDAY, THE 13<sup>TH</sup>  
JUSTICE PENNY )  
DAY OF FEBRUARY, 2019

BETWEEN:



**WEICHANG YANG**

Applicant

- and -

**BESCO INTERNATIONAL INVESTMENT CO., LTD.**

Respondent

**APPLICATION UNDER section 243(1) of the *Bankruptcy and Insolvency Act*, RSC, 1985, c B-3, as amended, and section 101 of the *Courts of Justice Act*, RSO 1990, c C.43, as amended**

**ORDER  
(Appointing Receiver)**

THIS APPLICATION made by the applicant, Weichang Yang (the "**Applicant**") for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing KSV Kofman Inc. ("**KSV**") as receiver and manager (in such capacities, the "**Receiver**"), without security, of the real property of Besco International Investment Co., Ltd. (the "**Debtor**") listed in Schedule "A" hereto (the "**Real Property**"), together with all other assets, and properties of the

Debtor acquired for, or used in relation to the Real Property, and all rents and other proceeds thereof (collectively, the “**Property**”), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Hui Gang Sun sworn August 20, 2018 and the Exhibits thereto, the supplementary affidavit of Hui Gang Sun sworn August 31, 2018 and the Exhibits thereto, the affidavit of Robert A. Finlay sworn August 31, 2018 and the Exhibits thereto, the affidavit of the Applicant sworn September 17, 2018 and the Exhibits thereto, the affidavit of Hanqiong (Joan) Xu sworn October 15, 2018 and the Exhibits thereto, the affidavit of Irene M. Artuso sworn February 4, 2019 and the Exhibits thereto, and the *facta* filed on behalf of the Applicant and the Debtor, and on hearing the submissions of counsel for the Applicant and counsel for the Debtor, no one else appearing although duly served as appears from the affidavit of service of Tamana Sadozai sworn September 19, 2018, and on reading the consent of KSV to act as the Receiver,

#### **SERVICE**

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

#### **APPOINTMENT**

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, KSV is hereby appointed Receiver, without security, of the Property.

3. THIS COURT ORDERS that the implementation of this Order appointing the Receiver shall be stayed for 30 days from the date of this Order (the “**Stay Period**”). If, within the Stay Period, the debt owing from the Debtor to the Applicant is repaid in full (including all accrued interest and all fees and expenses owing or payable to the Applicant under the various loan, guarantee and security agreements entered into between the Applicant and the Debtor) (the “**Indebtedness**”), this Order shall become moot. If the Indebtedness is not repaid prior to the expiration of the Stay Period, this Order shall become effective in full without further Order of this Court.

4. THIS COURT ORDERS that, during the Stay Period, the Debtor shall provide written notice to the Applicant of any material change in the status of (i) the Property, (ii) the Debtor's business, and (iii) the financing negotiations with Livesolar Capital Corporation.

#### **RECEIVER'S POWERS**

5. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, (i) the changing of locks and security codes, provided however, that prior notice shall be given to the Debtor, (ii) the relocating of Property to safeguard it, (iii) the engaging of independent security personnel, (iv) the taking of physical inventories and (v) the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor in relation to the Property, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor in relation to the Property;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;

- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor in relation to the Property or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor in relation to the Property and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor in relation to the Property;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor in relation to the Property, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business with the approval of this Court on notice to the Debtor, and notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for the Property;
- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have in relation to the Property; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations;

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

6. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its

instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being “**Persons**” and each being a “**Person**”) shall grant immediate and continued access to the Property to the Receiver, and shall deliver the Property to the Receiver upon the Receiver’s request.

7. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor in relation to the Property, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the “**Records**”) in that Person’s possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

8. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**



9. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

10. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

11. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any “eligible financial contract” as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH THE RECEIVER**

12. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor in relation to the Property, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

13. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor in relation to the Property, or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the

Debtor in relation to the Property, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

14. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "**Post Receivership Accounts**") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

15. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor at all times. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

### **PIPEDA**

16. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but

only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “**Sale**”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

17. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder, or their respective equivalents in any Province or Territory (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

### **LIMITATION ON THE RECEIVER’S LIABILITY**

18. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA

or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

### **RECEIVER'S ACCOUNTS**

19. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

20. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

21. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### **FUNDING OF THE RECEIVERSHIP**

22. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$250,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific

charge (the “**Receiver's Borrowings Charge**”) as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver’s Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

23. THIS COURT ORDERS that neither the Receiver’s Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

24. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule “B” hereto (the “**Receiver’s Certificates**”) for any amount borrowed by it pursuant to this Order.

25. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver’s Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver’s Certificates.

#### **SERVICE AND NOTICE**

26. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

27. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or

other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

28. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

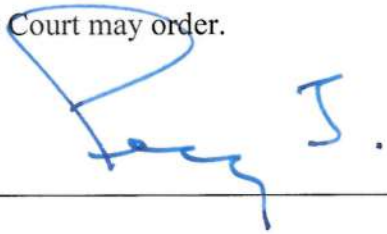
29. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

30. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

31. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.


32. THIS COURT ORDERS that the Applicant's costs of the Application, up to and including entry and service of this Order, shall be added to the Indebtedness and shall be paid (i) by the Debtor if the debt is repaid within the Stay Period; or (ii) by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

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

  
\_\_\_\_\_

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

MAR 18 2019

PER / PAR: 

**SCHEDULE "A"**

**PROPERTY DESCRIPTION**

PIN: 51082-0010 (LT)

Description: PT LT 1-2 CON 1 HOPE PT 2 9R2307 EXCEPT PT 1 39R9406; PORT HOPE

Address: 414 CROFT STREET, PORT HOPE, ONTARIO



## SCHEDULE "B"

### RECEIVER CERTIFICATE

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that KSV Kofman Inc., the receiver (the "**Receiver**") of certain real property owned by Besco International Investment Co., Ltd. (the "**Debtor**"), together with all other assets, undertakings and properties of the Debtor acquired for, or used in relation to the real property, and all rents and other proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the 13th day of February, 2019 (the "**Order**") made in an action having Court file number CV-18-605366-00CL, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded [daily][monthly not in advance on the \_\_\_\_\_ day of each month] after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 2019.

KSV Kofman Inc., solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

Per: \_\_\_\_\_

Name:

Title:

WEICHANG YANG

Applicant

-and-

BESCO INTERNATIONAL INVESTMENT CO., LTD.

Respondent

Court File No.: CV-18-605366-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**Proceedings commenced at Toronto**

**ORDER (APPOINTING RECEIVER)**

**FASKEN MARTINEAU DuMOULIN LLP**

333 Bay Street, Suite 2400  
Bay Adelaide Centre, Box 20  
Toronto, ON M5H 2T6

**Dylan Chochla [LSO# 62137I]**

Tel: 416 868 3425  
Fax: 416 364 7813  
Email: dchochla@fasken.com

**Daniel Richer [LSO# 75225G]**

Tel: 416 865 4445  
Fax: 416 364 7813  
Email: dricher@fasken.com

**Lawyers for the Applicant**

## **Appendix “B”**

THIS COMMERCIAL LEASE ENTERED INTO AS OF THE DATE AND YEAR SET OUT BELOW:

BETWEEN:

**BESCO INTERNATIONAL INVESTMENT CO LTD**

(hereinafter called the "Landlord")

OF THE FIRST PART

-and-

**VICEROY HOUSES LTD**

(hereinafter referred the "Tenant")

OF THE SECOND PART

THE LANDLORD AND TENANT CONTRACT AND AGREE AS FOLLOWS:

**SECTION 1 CREATION OF TENANCY, TERM AND RENTAL**

1.1 The Landlord agrees to rent to the Tenant and the Tenant agrees to rent from the Landlord:

- a) the space (reflected to as such throughout this Lease);
- b) for the term; and
- c) at the rate;

as set out in Schedule "A" attached hereto to this Lease.

1.2 Unless otherwise stated, the Lease area is restricted to the space between the floor and the ceiling and where there are suspended tile ceilings to the suspended tile. Areas adjacent but not part of the space may be utilized with the Landlord's consent by the Tenant to install lights, plumbing or other Tenant's fixtures provided they do not interfere with otherwise rentable space.

1.3 Where Schedule "A" describes the rental as a rate per square foot or square unit area then the rentals and the rate shall be adjusted in the event errors are found in the square footage. Adjustments, if the parties cannot agree, will be based on the standard method for measuring floor area in office buildings as sanctioned by the Building Owners' and Managers' Association International ("BOMA").

1.4 Where the space is part of a building having within it common areas and facilities, then the Tenant shall have access to those areas and facilities during the continuation of this Lease. The

Landlord, however, has the exclusive discretion to define the common areas and the time they are open to the public and to impose regulations and restrictions on their use.

1.5 The Tenant shall pay to the Landlord on the signing of this Lease, the Lease deposit, as set out in Schedule "A". This deposit shall be retained by the Landlord against damages by the Tenant and returned at the end of the tenancy without interest.

1.6 An option on the part of the Tenant to renew this Lease (if any) shall be set out in Schedule "A".

#### **SECTION 2 PAYMENT OF RENT, ADDITIONAL COST AND G.S.T.**

2.1 The rent shall be paid by the Tenant (irrespective of how expressed in Schedule "A") by equal monthly payments on or before the 1st day of each month and without the requirement of notice or invoice to the Tenant.

##### **Additional Cost**

2.2 The Tenant shall also pay for, arrange and bear the cost of the following:

- a) all telephone services including installation costs for telephone services used in or upon the leased space;
- b) all janitorial services required by the Tenant in or upon the leased space;
- c) all cable and internet services including installation costs for the internet services used in or upon the leased space.

##### **Goods and Services Tax**

2.3 The Tenant shall pay to the Landlord an amount equal to any and all goods and services taxes, sales taxes, value added taxes or any other taxes imposed on the Landlord with respect to the rent payable by the Tenant to the Landlord under this Lease, whether characterized as a goods and services tax, sales tax, value added tax or otherwise (hereinafter referred to as the "sales taxes"), it being the intention of the parties that the Landlord shall be fully reimbursed by the Tenant with respect to any and all sales taxes due and payable by the Landlord. The amount of the sales taxes so payable by the Tenant shall be calculated by the Landlord in accordance with the applicable legislation and shall be paid to the Landlord at the same time as the amounts to which such sales taxes apply are payable to the Landlord under the terms of this Lease or upon demand at such other time or times as the Landlord from time to time determines. Despite any other section in this Lease, the amount payable by the Tenant under this paragraph shall be deemed not to be rent but the Landlord shall have all of the same remedies for the rights of recovery of such amounts as it has for recovery of rent under this Lease.

#### **SECTION 3 PREPARATION OF SPACE, ALTERATIONS AND REPAIRS**

3.1 The Landlord agrees to turn over the space to the Tenant as described in Schedule "A" attached hereto of this Lease and the Tenant is responsible for all other necessary Tenant improvements and fixtures.

- 3.2 Fixtures that the Tenant installs shall be installed at the Tenant's costs and only after permission in writing from the Landlord has been obtained; such permission not to be unreasonably withheld.
- 3.3 During the time that work is undertaken by the Tenant, the Tenant is responsible for obtaining all necessary building permits and insurance, if required. Work performed by the Tenant shall be done in a manner so as not to impede or delay the work (if any) of the Landlord being carried out simultaneously; and in such a way so as to not disrupt other space occupied by other Tenants or adjacent common areas, if any.
- 3.4 If work performed by the Tenant or at the Tenant's order delays or impedes the Landlord then extra costs and damages (if any) sustained by the Landlord as a result of those delays shall be paid by the Tenant upon the Landlord providing written documentation providing such extra costs or damages. Any work that is required to be performed by the Tenant, or which the Tenant elects to perform that is not completed in a good workmanlike manner and within a reasonable time after commencement, may be completed by the Landlord and the costs of such completion charged to the Tenant and collected as rent, together with a management fee of six percent (6%) of the Landlord's cost.
- 3.5 The Tenant shall examine the space before taking possession and when the Tenant takes possession it shall be conclusive evidence that the space is in good and satisfactory condition, and that the work required to be done by the Landlord in Schedule "A" has been completed unless otherwise set out in that Schedule. The Tenant agrees that any undertaking or commitments (if any) of the Landlord to alter, remodel or improve the space and all representations (if any) by the Landlord respecting the condition of the space, building in which the space is located, or the grounds surrounding it, have been fully satisfied and performed by the Landlord at the taking of possession by the Tenant unless otherwise set out in Schedule "A". If Tenant finds the property quality issue due to the property itself, the landlord should repair it for Tenant. If Tenant repairs it with permission of landlord, the landlord should pay for the repair cost to Tenant.
- 3.6 The Tenant shall install and maintain appropriate trade fixtures and furniture appropriate to the Tenant's business and the general character of the building in which the space is located.
- 3.7 If the Tenant wishes from time to time to make improvements, alterations, paint or decorate the space he shall first obtain the consent of the Landlord in writing and comply with the regulations and requirements of any building inspection, fire or safety authority; the Landlord's consent not to be unreasonably withheld.
- 3.8 Although the Tenant is given a general right, at his cost, to make improvements or renovations to the space; the Tenant is not entitled to make any changes, alterations, additions or improvements to the structure of the space or building, or the electrical, mechanical, plumbing, heating, air conditioning, telephone installations, facilities or equipment, other than those absolutely required for the better utilization of the Tenant's space and then only with the approval of the Landlord, and the approval by the Landlord of the Tenant's proposed Contractor, such approval not to be unreasonably withheld.

- 3.9. The Tenant shall not store in or bring on the space or building, any article of an inflammable, explosive, combustible or dangerous nature or any article which might be regarded as a hazardous substance and shall at all times keep the space in such condition as to comply with the regulations and requirements of the appropriate Fire Underwriters Associations and the local Fire Department.
- 3.10 The Tenant shall keep and maintain on the space all safety devices required by the Tenant's use of the space. The Tenant shall not do or permit to be done or omit anything which would cause the insurance upon the building in which the space is located or any part of it to be cancelled or the rate to be increased.

#### SECTION 4 ASSIGNMENT, SALE AND FINANCE

- 4.1 The Tenant agrees not to assign this Lease, any interest in the Lease, or in any way divest itself of an interest in this Lease without obtaining first the written consent of the Landlord. Such consent shall not be unreasonably withheld, provided that it shall not be unreasonable for the Landlord to withhold such consent if, in the Landlord's opinion, the proposed assignee or transferee is financially incapable of observing and performing the Lessee's obligations under this Lease.
- 4.2 If the Landlord conveys, assigns or divests itself of its interest in the building, then the Landlord may assign this Lease to the persons in whose favour the conveyance is made and thereupon the Landlord is released from all obligations under this Lease except for the obligation to account to the Tenant for any damage deposit or monies due and payable to the Tenant by the Landlord (if any).
- 4.3 In the event of a conveyance or assignment of the building by the Landlord, the Tenant shall, on demand from the Landlord, immediately deliver to the Landlord a statement in writing acknowledging that the Lease is in good standing and that the Tenant will pay all future rents to the third party acquiring the right to collect them.

#### SECTION 5 DAMAGE AND DESTRUCTION

- 5.1 The provisions of this Lease to be followed in the event of damage or destruction of the space are as follows:
- a) If, during the term, the space is damaged or destroyed and such damage or destruction cannot, in the opinion of the Landlord, be repaired with reasonable diligence within ninety (90) days after the damage or destruction, the Landlord may, by notice to the Tenant, elect to terminate this Lease.
- b) If the Tenant has not received the notice from the Landlord referred to above, within sixty (60) days after the date of the damage or destruction, the Tenant may, by written notice to the Landlord, terminate this Lease.

#### SECTION 6 INSURANCE

- 6.1 The Landlord will place and maintain for its sole benefit and advantage:



- a) Insurance against fire and other risks that are included in a standard fire and extended coverage insurance contract and insurance for such other perils as the Landlord, as a prudent owner, deems necessary in an amount equal to the full replacement value of the building and loss by fire or tempest of rentals thereof;
  - b) public liability insurance in respect of any common facilities in the building in which the space is located, with limits of not less than the insurance coverage level set out in Schedule "A".
- 6.2. The Tenant shall place and maintain with such insurers satisfactory to the Landlord and at the Tenant's expense:
- a) policies of public liability and property damage insurance and Tenants' liability insurance insuring the Tenant against all sums which the Tenant may become obligated to pay as damages by reason of injury to persons or damages to or destruction of the property in, upon and around the leased space or the building in which it is located; which at the commencement of this Lease shall not be less than the insurance coverage level set out in Schedule "A" with a waiver of subrogation against the Landlord;

#### SECTION 7 INDEMNITY

- 7.1 The Landlord shall not (except to the extent of the net amount realized by the Landlord from its insurers as a result of insurance claims) be liable or responsible in any way for:
- a) any personal or consequential injury of any nature whatsoever that may be suffered or sustained by the Tenant, or any employee, agent, invitee, licensee or customer of the Tenant, or any other person who may be in, upon or around the building or space; or
  - b) any loss or damage whatsoever of, or to, any property belonging to the Tenant or to its employees or to any other person while such property is in or on or around the building in which the space is contained;
  - c) any loss, damage or injury, whether direct or indirect, to any person or property or loss of income or revenue resulting from any failure, however caused, in the supply of the utilities, services or facilities provided or to be provided or repairs made or to be made to the space or to the building under the provisions of this Lease;

and the Tenant hereby indemnifies and saves harmless the Landlord from and against every demand, claim, cause of action, judgment and expense and all loss and damage (including, but not limited to, solicitor and client costs) suffered by the Landlord arising from the negligence of the Tenant or any employee, agent, invitee, licensee or customer of the Tenant. This indemnification shall survive the expiration of the term of the lease and any renewals thereof and the termination of the lease or any renewals thereof for whatever cause whatsoever.

#### SECTION 8 GENERAL PROVISIONS

- 8.1 If the Tenant pays the rent and performs the other terms of this Lease he may peacefully possess and enjoy the space for the term without any disturbance from the Landlord; provided, however, that steps taken by the Landlord to make alterations, enlargements, reductions or

extension, or close certain areas of the building or adjacent grounds and parking lot shall not constitute a breach of term for quiet enjoyment.

- 8.2 The Tenant agrees to pay rent and all other charges required and payable in this Lease, without variation, deduction, set-off or abatement whatsoever, except for the abatement provided in the paragraphs of this Lease relating to the destruction of all or part of the space.
- 8.3 The Landlord is empowered from time to time to make rules relating to the orderly operations and regulation of the building in which the space is contained and the Tenant shall observe such of these further and other rules and regulations as are reasonable and consistent with the provisions of this Lease.
- 8.4 The Landlord and the Tenant acknowledge and agree that this Lease and all of the terms and conditions contained herein are confidential information as between the parties hereto, and accordingly, each of the Landlord and the Tenant will keep and maintain this Lease and all such terms and conditions in confidence and will not release or disclose this Lease or copies to this Lease or such terms and conditions or any item to any person, except:
- a) to members of the Landlord's and the Tenant's administrative staffs and to professional advisors retained by the Landlord or by the Tenant in respect of matters pertaining to this Lease or to the leased premises; or
  - b) to bona fide potential purchasers or mortgages of the leased premises, or to bona fide potential or existing assignees of this Lease or sub lessees of the leased premises; or
  - c) to only such other persons as the Tenant may by writing authorize the Landlord to make such release or disclosure to, or such other persons as the Landlord may by writing authorize the Tenant to make such release and disclosure to, in either case, prior to the making of such release or disclosure.
- 8.5 The Tenant accepts this Lease subject to the conditions, restrictions and terms contained in it, and where Schedules are attached to this Lease they shall be considered part of it, and where a term incorporates by reference a Schedule, the Schedule shall be presumed to be incorporated into the term to the extent that it sets out any obligations or conditions modifying or explaining any term of this Lease.
- 8.6 All sums required to be paid by the Tenant to the Landlord under this Lease shall be collectable by the Landlord as rent.
- 8.7 All rights and remedies of the Landlord set out in this Lease are cumulative and none will exclude any other right or remedy allowed by law.
- 8.8 This Lease may not be modified or amended except in writing by the parties or their successors or assigns.
- 8.9 This Lease contains the entire agreement between the parties and it is admitted, so that they are forever estopped, from asserting to the contrary, that there is no condition precedent or warranty, in existence as it relates to the taking of the space referred to in this Lease other than those terms and conditions that are contained within it. Notwithstanding the presentation of

any cheque or acceptance of any monies by the Landlord given by the Tenant as a deposit, shall not constitute an offer by the Landlord and shall not create a tenancy. No contractual or other legal right shall be created between the parties in this Lease until the Lease has been fully executed by both Landlord and Tenant and delivery of an executed copy has been given by the Landlord to the Tenant.

- 8.10 Time shall be of the essence in this agreement, particularly in the areas relating to the payment of rent by the Tenant and save as otherwise herein specified.
- 8.11 It is understood that the headings in this Lease are for ease of reference only and are not intended to interpret, add to, colour or delete in any way the intention of the expressed body of the Lease Agreement.

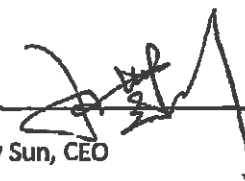
IN WITNESS WHEREOF the parties hereto have caused this Lease Agreement to be executed by, in the case of individual parties, setting hereunto their hands and seals, and in the case of corporate parties, affixing hereto their corporate seals attested by the hands of their duly authorized officers in that behalf, effective all as of the 1st day of January, 2016.

**BESCO INTERNATIONAL INVESTMENT CO LTD**



Nikki Zhang

**VICEROY HOUSES LTD**



Andrew Sun, CEO

## SCHEDULE A

**1. DESCRIPTION OF SPACE (Section 1.1 (a)):**

Port Hope location is a manufacturing plant consisting of a building with offices upstairs and machinery on the main floor in the factory, with yard space for storage of raw and finished good.

**2. LENGTH OF TERM (Section 1.1.(b)):**

5 Years

Commencement Date: January 1, 2016

**3. RENTAL RATE (Section 1.1. (c)):**

First Year, Rent shall be 70,000 (Seventy Thousand) Canadian Dollars per month, plus GST.

Second Year, Rent shall be 80,000 (Eighty Thousand) Canadian Dollars per month, plus GST.

Third Year, Rent shall be 80,000 (Eighty Thousand) Canadian Dollars per month, plus GST

**4. DAMAGE DEPOSIT (Section 1.5)**

No

**5. OPTION TO RENEW (Section 1.6)**

Provided the Tenant is not in default of any of the terms of the Lease, the Tenant shall have the right to renew this Lease for a further period of   3   months upon the same terms and conditions set forth herein except as to this renewal clause and the rent payable hereunder

**6. PURPOSE OF WHICH SPACE IS TO BE USED:**

Office and Manufacturing

**7. INSURANCE LEVEL**

Public liability and property damage insurance and Tenant's liability insurance with a policy limit of not less than \$ 14,000,000, or such other amount as the Landlord so determines.

**8. ADDRESSES OF PARTIES**

BESCO INTERNATIONAL INVESTMENT CO LTD

120-4611 Viking Way,  
Richmond, BC, Canada  
V6V2K9

VICEROY HOUSES LTD

12211 Horseshoe Way  
Richmond, BC, Canada  
V7A 4V4

**9. CONDITION OF SPACE (turn over):**

Decoration

**10. MAP/ PLAN**

See the attached map

## **Appendix “C”**

**Besco International Investment Co., Ltd.**  
**Statement of Receipts and Disbursements**  
For the period March 13, 2019 to April 30, 2019  
(\$)

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**Receipts**

Funding from Receiver's Certificate	15,000
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**Disbursements**

Insurance	3,367
Security	1,047
Sales taxes	136
Filing fees	70
	<u>4,620</u>

Cash in the Receiver's trust account	<u><u>10,380</u></u>
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## **Appendix “D”**



## Appendix A

### Request for Proposals for REAL ESTATE BROKER SERVICES

Re: **Court-ordered Receivership of Besco International Investment Co., Ltd. (“Besco”)**

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Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (“Court”) made on February 13, 2019 and which became effective on March 18, 2019, KSV Kofman Inc. was appointed receiver and manager (“Receiver”) of the real property located at 414 Croft Street, Port Hope (the “Real Property”), together with all assets, and properties of Besco acquired for, or used in relation to the Real Property, and all rents and other proceeds thereof.

The Receiver invites proposals to provide real estate broker services for the Real Property.

**Proposals must be submitted to the Receiver by 5:00 p.m. (Toronto time) on April 8, 2019. Proposals are to be addressed to: KSV Kofman Inc., 150 King Street West, Suite 2308, Toronto, Ontario M5H 1J9, c/o Jordan Wong. Please limit the proposal to no more than 10 pages.**

For more information or questions, please contact Mr. Wong at (416) 932-6025 or [jwong@ksvadvisory.com](mailto:jwong@ksvadvisory.com).

#### A. Background

- The Receiver is now accepting proposals (“Proposals”) to act as listing agent to solicit a sale proposal for the Real Property.
- The terms of any sale process (the “Sale Process”) and the selection of a realtor(s) are subject to Court approval.
- Copies of all Court materials relating to these proceedings are available on the Receiver’s website at:  
<https://www.ksvadvisory.com/insolvency-cases/case/besco-international-investment-co-limited>
- A brief summary of the Real Property is provided below. More information is provided in a data room maintained by the Receiver (the “Data Room”). Realtors can obtain access to the Data Room once they sign the confidentiality agreement attached as Appendix “B”.

#### 414 Croft Street, Port Hope

- The Real Property is owned by Besco and is a single-tenant industrial property.
- The Real Property comprises 25 acres of land and a two-story building with a warehouse area of roughly 141,000 square feet and an office area of roughly 9,000 square feet.
- The Real Property is leased to Viceroy Houses Ltd., a developer of custom homes.

## **B. Realtor's Role**

The realtor's role will include, among other things:

- developing a detailed marketing process, including timelines for the Sale Process, with the assistance of the Receiver;
- establishing an estimated value for the Real Property;
- preparing all marketing materials, with input from the Receiver;
- advertising the Real Property at the agent's expense;
- obtaining and negotiating confidentiality agreements from interested parties;
- showing the Real Property to interested parties and working with the Receiver to maintain a data room to facilitate the Sale Process;
- qualifying interested parties from a financial perspective;
- assisting interested parties with their diligence;
- assisting the Receiver to assess offers submitted;
- providing the Receiver with a report summarizing the results of the Sale Process, to be relied upon by the Receiver in its report to court to support its recommended transaction; and
- assisting the Receiver to close a transaction.

## **C. Proposal Content**

The Proposal must contain the following:

1. Work Plan: all bidders shall provide a detailed work plan.
2. Highest and Best Use: a discussion concerning the highest and best use for the Real Property. All bidders shall provide an estimate of the value of the Real Property, together with supporting assumptions.
3. Firm Background and Staff Experience: all bidders shall provide background information concerning their firm, including the experience of their staff who will be working on this assignment (including résumés for the lead agents).
4. Bidder's Liability Insurance Certificate: a copy of the bidder's liability insurance certificate is to be included.
5. Compensation Structure: all Proposals shall indicate the proposed compensation structure.
6. Conflict of Interest Statement: all bidders shall disclose any professional or personal financial interests that could be a possible conflict of interest.

**D. Proposal Consideration**

The factors on which each Proposal will be considered include the following:

- Bidder's marketing plan;
- Experience selling similar real estate, including properties in the relevant communities;
- Experience in insolvency situations;
- Professional qualifications of individuals assigned to the project;
- Compensation structure; and
- Other factors as determined by the Receiver at its sole discretion.

## **Appendix “E”**

## Mortgage Loan Agreement

This Mortgage Loan Agreement is made as of the 25th day of March 2019.

**BETWEEN:**

**KINGSPOND CAPITAL INC.**  
(the "Lender")

-and-

**BESCO INTERNATIONAL INVESTMENT CO. LTD**  
(the "Borrower")

**WHEREAS** the Borrower has applied to the Lender for a certain loan and the Lender has agreed to such loan application upon the terms and conditions hereinafter provided:

### Principal Sum & Interest

The Lender agrees to loan in the sum of Two Millions Dollars (\$2,000,000.00) CAD (the "Principal Sum"), to the Borrower and the Borrower promises to repay the Principal Sum to the Lender, at such address as may be provided in writing, with interest payable on the unpaid principal at the rate of ten per cent (10%) per annum for the first 6 months and the rate of Twenty per cent (20%) per annum for the last month respectively, calculated monthly, not in advance.

### Security

The Borrower agrees to provide a security for such loan by a valid first mortgage on the Subject Properties hereinafter provided with the following terms and conditions:

Subject Properties: 414 Croft St E, Port Hope, ON (25.22 Acres with all buildings)  
Loan Purpose: Refinance to replace the existing mortgage loan  
Priority of the mortgage: 1st Mortgage  
Principal Amount: \$2,000,000.00 CAD  
Term: 7 months (first 3-month is closed, and the last 4-month is open with 30-day written notice to the lender)

Borrower Initial

*DM*

Lender Initial

*X.Y.*

Interest Rate: For the first 6 month 10% per annum, calculated monthly, not in advance  
For the 7<sup>th</sup> month 20% per annum, calculated monthly, not in advance  
Interest only

Payment: \$16,666.66 per month (for the first 6 months), and \$33,333.33 per month (for  
the 7<sup>th</sup> month), interest payment only

Amortization: Not applicable

Closing Date: March 29th, 2019

Interest Adjustment Date: March 29th, 2019

First Payment Date: April 29th, 2019

Maturity/Balance Due Date: 7 months from the date of advance estimated to be Oct 29th, 2019

**Standby Fee/Commitment Fee:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a non-refundable standby fee/commitment fee in the amount of \$5,000.00 held in trust by lender's lawyer Tan & Associates. **(Waived)**

**Good Faith Deposit:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a Good Faith Deposit in the amount of \$20,000. The Good Faith Deposit will be deposited in trust by lender's lawyer Tan & Associates and will be refunded to the borrower at the time of the advance of the mortgage. If the loan does not proceed due to borrower's request / issues OR failure to provide the lender with all the required security documents, all material information (legal or otherwise) with respect to the Borrower / Guarantor, and satisfactory documentation as listed under the "Documentation Review", the Good Faith Deposit will be retained by the Lender as compensation to the Lender for reserving the funds and for the work completed. If this loan agreement is refused by the Lender, this Good Faith Deposit will be returned to the Borrower without any interest or deduction.

**Conditions:** This loan agreement is conditional upon the lender inspecting the properties and documentation review within 5 banking days after the acceptance of this loan agreement, if the lender is not satisfied with his inspection / estimate or document review, this loan agreement shall be null and void and the Good Faith Deposit shall be returned to the borrower in full without interest and deduction. This condition is included for the benefit of the Lender and may be waived at the Lender's sole option within the time period state herein.

**Documentation Review:** The lender will not be obligated to make any advance of the loan unless the lender has received the following, all in form and substance satisfactory to the Lender and its solicitor. The borrower agrees to provide the following documents for documentations review upon the acceptance of this loan agreement:

2

Borrower Initial Sm

Lender Initial Xy

1. Charges/transfers for Subject Properties
2. All professional reports including, but not limited to, the environment reports, appraisal reports, engineering reports, inspection reports, study reports, title, survey, legal, title & property insurance policy, lease agreement and others. **(waived)**
3. All site plans, approvals, and permits if in borrower's possession. **(waived)**
4. The company documents including Articles of Incorporation & Certificate of Incorporation, Form 1 or Certificate of Shareholders, Directors and Officers if applicable
5. Title & Property Insurance, Property Tax
6. Any document / meeting minutes to support this project, or any document as required by the Lender and/or its legal counsel to check and verify information.

**Prepayment Privilege:** During the last 4 months of the term, the Mortgage can be fully or partially paid off with 30 days written notice, without penalty; otherwise 1-month interest will be charged for the prepayment.

**Personal Guarantors:** Sun, Huigang for the full amount of the loan

**Security:**

1. Registered 1st mortgage/charge on the Subject Properties
2. The personal guarantee of borrower and guarantor, for 100% of the loan amount
3. General Security Agreement in favour of the lender
4. A charge in favour of the lender pursuant to the Personal Property Security Act of Ontario (PPSA).
5. Assignment of Insurances
6. All other standard mortgage security
7. Such other reasonable legal security as required by the Lender and/or its legal counsel.

**Appraisal / Inspection Cost:** The Mortgagor will pay the cost to have the property appraised. The value of the property shall not be lower than \$8,500,000.00. The Mortgagee may also appoint his/her own representative to inspect the property, the cost of inspection is \$1,000 which will be deducted from the mortgage advance. The lender will be satisfied with his representative's inspection and estimate.

**Legal Fee:** The Borrower shall be responsible for the legal fees and disbursement for this transaction to be included by the Lender and the Borrower.

**Post-dated Cheques:** The Borrower shall deliver to the Lender a series of Seven (7) post-dated cheques, commencing on April 29th, 2019, made payable to the Lender and payable under the loan during the Term. This will be waived if paid in advance on closing.

Borrower Initial     Sun    

Lender Initial     X-Y

**Dishonored cheques:** \$300.00 fee for any N.S.F. cheque or returned cheque plus 24.00% of annual interest calculated on the unpaid interest.

**Preconditions to Advance:**

The obligation of the Lender to advance the Principal Sum under this Agreement is subject to and conditional upon:

- (a) the Borrower and Guarantor are the registered owners of the Subject Properties;
- (b) the 1st mortgages in favor of the lender registered against title to the Subject Property;
- (c) each representation, statement, declaration and all information provided to the Lender or the Lender's solicitor by the Borrower in connection with this loan being true and accurate at the time it was given or made;
- (d) No other encumbrances: at the time of the registration of the said first mortgage in favor of the lender, there are no other encumbrances or charges against the Subject property.
- (e) there being no restrictions, liens or encumbrances against the Subject Properties at the time of the advance of the Principal Sum other than (i) any minor easements for the supply of domestic utility or telephone services to the Subject Properties or adjacent properties; (ii) any minor easements for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services which do not materially affect the use of the Subject Properties as an agricultural land; (iii) any registered municipal agreement and registered agreement with publicly regulated utilities providing such have been complied with; and (iv) any registered restrictions that run with the land providing such are complied with.

**Registered Charges/Mortgages:** At the time of this second mortgage registration, no other parties have any interest in this property except the second mortgage of \$2,100,000.00 and this charge

**Current Mortgage Statement:** Outstanding balance should be verified If applicable.

**ID's:** Solicitor to obtain valid identification from mortgagor(s)/guarantors to verify their identities.

**Title:** Title has to be free and clear of all encumbrances, liens, etc., prior to the registration of the charge.

**Title Insurance:** The Lender will obtain at Borrower's expense, Title Insurance on the Subject Properties, "Loan Policy", as defined by the insurer.

Borrower Initial JS

Lender Initial X.Y.



**Property Taxes:** All property taxes of the Subject Properties must be paid in full for prior years and up-to-date for the current year. If the realty taxes are in arrears at anytime, this Charge will then become due and payable immediately, at the Lender's sole option.

**Property Insurance / Fire Insurance:** During the Term of this mortgage, the Borrower should provide evidence of insurance against fire and other hazards of the Subject Properties for its full replacement value in an amount of not less than \$8,500,000.00 with loss or the amount the Lender is satisfied with payable to the Lender as their interest may from time to time appear. A copy of the insurance policy of the Subject Properties shall be delivered to the Lender's solicitor for review prior to the funding. The properties must be fully insured to the extent of their full value against fire and all other perils customarily covered under comprehensive insurance policies and all applicable policies must contain an endorsement naming the Lender as a named insured and conferring upon the Lender the standard rights of a mortgage under the standard wording approved by the insurance bureau of Canada.

**Condominium Insurance:** (If applicable) Status certificated is required. Proof of condominium insurance package and premiums are all up to date.

**Fixtures:** It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed otherwise now or hereafter put upon the said lands, including but without limiting the generality of the foregoing, all fences, heating, plumbing, air conditioning, ventilating, lighting and water heating equipment, window blinds, floor covering, storm windows, and screen doors and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the lands and shall be a portion of the security for the indebtedness herein mentioned.

**Work Orders:** There should be no outstanding work orders against the property.

**Zoning:** The property must comply with all relevant municipal by-laws and without limiting the generality of the foregoing all fire safety retrofit requirements

**Independent Legal Advice:** Each Covenantor and Guarantor, if any, named herein and executing this Loan Agreement must obtain Independent Legal Advice, Covenantor and Guarantor must pay the solicitor's fee associated with this advice.

**Default on Payment:** If for any reason the Borrower fails to make any payment on time, the Borrower shall be in default. The Lender can then demand instant payment of the entire remaining unpaid balance of this loan, without giving any further notice.

**Successors and Assigns:** This Agreement shall be binding upon and shall ensure to the benefit of the Lender and the Borrower and their respective successors and assigns. The Borrower may not assign or transfer its rights and obligations under this Agreement without the prior written consent of the Lender. The Lender may assign or transfer its rights and obligations under this Agreement fully or partially without the Borrower's consent.

Borrower Initial Sum

Lender Initial X.Y.

**Non-Transferable:** Provided that in the event the Chargor sells, transfers or otherwise disposes of the charged property or any portion thereof or any interest therein, the Principal Sum hereby secured shall immediately become due and payable together with any penalties set out herein.

**Renewal / Extension:** Provided that the Mortgage has been kept in good standing and no defaults have occurred during the initial term of this Mortgage, the Mortgagor shall contact the lenders or lender's representative at a minimum two months before the expiry of this mortgage term if the Mortgagor wishes to renew or extend. The Mortgagee has the right to accept or decline to renew/extend this mortgage in the Mortgagee's sole and absolute discretion. If the current Mortgagee agrees to renew or extend this mortgage, for a period of SIX MONTHS or less, under the current or different term and it is accepted by the Mortgagor, the Mortgagor shall be responsible for the legal expenses, and renewal/extension/broker fee (total 5%) for extending or renewing this mortgage.

**Cancellation Costs:** In the event that the Borrower decides not to close on this Mortgage then any and all costs incurred by Lender shall be paid by the Borrower. The Good Faith Deposit will not be returned to the borrowers.

**Standard Charge Terms:** Filing number 200033

**Documentation:** The Security Documentation must be in the standard form of the Lender or in a form approved by the Lender. The Lender shall not be obliged to advance any amount of the mortgage loan where at the time of closing of the transaction the Borrower is, or if an advance was made, would be in default under the terms of the Loan Agreement or any of the Security Documentation. The Lender may require all documentation to be prepared and registered by the Lender's lawyer.

**Escrow Advances:** Where the Lender agrees to advance funds to a solicitor prior to the receipt of all the Security Documentation by the Lender, all such advances shall be received by the solicitor in trust for the Lender and the solicitor shall not make any advance or other distribution of the advances so received until such times as all required security is in place.

**Execution:** The Loan Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original, but all of which taken together constitute one and the same instruction. Execution of the Loan Agreement via facsimile or other electronic transmission shall be binding upon the Borrower and the Lender and their respective heirs, executors, administrators, successors and assigns.

**Warranty:** The Mortgagor warrants that the building has never been insulated with UFFI and that there are no environmental problems relating to the properties and if they occur they will be attended to by the owner or the mortgage may be called at the Mortgagee's option.

**Notice:** Any notice, request or demand herein provided or permitted to be given by the Borrower to the Lender shall be sufficiently given if delivered by prepaid courier or prepaid registered mail to the address as follows:

6

Borrower Initial SM

Lender Initial X.Y.

(a) To the Lender at:  
KINGSPOUND CAPITAL INC  
33 Bay St, Suite 5101, Toronto, ON, M5J2Z3

(b) To the Borrower at:  
C/O Sun, Huigang  
1922 44<sup>th</sup> Ave E, Vancouver, BC, V6M 2E7  
Tel: 604-375-5555  
5 Mckay Crescent Markham, L3R 3M7

**Governing Law:** This Agreement is made pursuant to and shall be governed by and construed in accordance with the laws of Canada and the laws of Ontario applicable therein.

**Schedule(s):** Schedule "A" forms part of this Loan Agreement.

**Acceptance:** This agreement shall be valid until 11:59pm March 28th, 2019. The terms of herein agreement shall survive the funding of this mortgage.

The Borrower agrees to enter into a mortgage with a Lender which shall include the terms attached as Schedule "A" to this agreement. The Borrower acknowledges and agrees that Schedule "A" shall be incorporated into a mortgage with the Lender and the Borrower agrees to be bound by such additional terms.

**Final Terms & Conditions:** The term and conditions on this agreement may change before the final closing date. The lender's solicitor may add and amend any terms and conditions on this agreement.

This Agreement is signed this 25<sup>th</sup> day of March 2019.

**KINGSPOUND CAPITAL INC.**

[Signature]  
(Witness):

[Signature] (Lender)  
XIAONING YAN

I have authority to bind the corporation

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

[Signature]  
(Witness):

[Signature] (Borrower) March 26, 2019  
Sun, Huigang

I have authority to bind the corporation

[Signature]  
(Witness):

[Signature] (Guarantor) March 26, 2019  
Sun, Huigang

7  
Borrower Initial Sun

Lender Initial XY

## Mortgage Loan Agreement

This Mortgage Loan Agreement is made as of the 25th day of March 2019.

**BETWEEN:**

**SUNNYWAYS INVESTMENT INC.**  
(the "Lender")

-and-

**BESCO INTERNATIONAL INVESTMENT CO. LTD**  
(the "Borrower")

**WHEREAS** the Borrower has applied to the Lender for a certain loan and the Lender has agreed to such loan application upon the terms and conditions hereinafter provided:

### Principal Sum & Interest

The Lender agrees to loan in the sum of Two Million One Hundred Thousands Dollars (\$2,100,000.00) CAD (the "Principal Sum"), to the Borrower and the Borrower promises to repay the Principal Sum to the Lender, at such address as may be provided in writing, with interest payable on the unpaid principal at the rate of eleven per cent (11%) per annum for the first 6 months and the rate of Twenty per cent (20%) per annum for the last month respectively, calculated monthly, not in advance.

### Security

The Borrower agrees to provide a security for such loan by a valid second mortgage on the Subject Properties hereinafter provided with the following terms and conditions:

Subject Properties: 414 Croft St E, Port Hope, ON (25.22 Acres with all buildings)

Loan Purpose: Refinance to replace the existing mortgage loan

Priority of the mortgage: 2nd Mortgage

Principal Amount: \$2,100,000.00 CAD

Term: 7 months (first 3-month is closed, and the last 4-month is open with 30-day written notice to the lender)

1

Borrower Initial Sm

Lender Initial Xy.

Interest Rate: For the first 6 month 11% per annum, calculated monthly, not in advance  
 For the 7<sup>th</sup> month 20% per annum, calculated monthly, not in advance  
 Interest only

Payment: \$19,250.00 per month (for the first 6 months), and \$35,000.00 per month (for the 7<sup>th</sup> month), interest payment only

Amortization: Not applicable

Closing Date: April 12th, 2019

Interest Adjustment Date: April 12th, 2019

First Payment Date: May 12th, 2019

Maturity/Balance Due Date: 7 months from the date of advance estimated to be November 12th, 2019

**Standby Fee/Commitment Fee:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a non-refundable standby fee/commitment fee in the amount of \$5,000.00 held in trust by lender's lawyer Tan & Associates. **(Waived)**

**Good Faith Deposit:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a Good Faith Deposit in the amount of \$20,000. The Good Faith Deposit will be deposited in trust by lender's lawyer Tan & Associates and will be refunded to the borrower at the time of the advance of the mortgage. If the loan does not proceed due to borrower's request / issues OR failure to provide the lender with all the required security documents, all material information (legal or otherwise) with respect to the Borrower / Guarantor, and satisfactory documentation as listed under the "Documentation Review", the Good Faith Deposit will be retained by the Lender as compensation to the Lender for reserving the funds and for the work completed. If this loan agreement is refused by the Lender, this Good Faith Deposit will be returned to the Borrower without any interest or deduction.

**Conditions:** This loan agreement is conditional upon the lender inspecting the properties and documentation review within 5 banking days after the acceptance of this loan agreement, if the lender is not satisfied with his inspection / estimate or document review, this loan agreement shall be null and void and the Good Faith Deposit shall be returned to the borrower in full without interest and deduction. This condition is included for the benefit of the Lender and may be waived at the Lender's sole option within the time period state herein.

**Documentation Review:** The lender will not be obligated to make any advance of the loan unless the lender has received the following, all in form and substance satisfactory to the Lender and its

Borrower Initial   *Sum*  

Lender Initial   *X.Y.*

solicitor. The borrower agrees to provide the following documents for documentations review upon the acceptance of this loan agreement:

1. Charges/transfers for Subject Properties
2. All professional reports including, but not limited to, the environment reports, appraisal reports, engineering reports, inspection reports, study reports, title, survey, legal, title & property insurance policy, lease agreement and others. **(waived)**
3. All site plans, approvals, and permits if in borrower's possession. **(waived)**
4. The company documents including Articles of Incorporation & Certificate of Incorporation, Form 1 or Certificate of Shareholders, Directors and Officers if applicable
5. Title & Property Insurance, Property Tax
6. Any document / meeting minutes to support this project, or any document as required by the Lender and/or its legal counsel to check and verify information.

**Prepayment Privilege:** During the last 4 months of the term, the Mortgage can be fully or partially paid off with 30 days written notice, without penalty; otherwise 1-month interest will be charged for the prepayment.

**Personal Guarantors:** Sun, Huigang for the full amount of the loan

**Security:**

1. Registered 2nd mortgage/charge on the Subject Properties
2. The personal guarantee of borrower and guarantor, for 100% of the loan amount
3. General Security Agreement in favour of the lender
4. A charge in favour of the lender pursuant to the Personal Property Security Act of Ontario (PPSA).
5. ¥8,000,000.00 (Chinese Yuan) deposit into Lender account as additional security
6. Assignment of Insurances
7. All other standard mortgage security
8. Such other reasonable legal security as required by the Lender and/or its legal counsel.

**Appraisal / Inspection Cost:** The Mortgagor will pay the cost to have the property appraised. The value of the property shall not be lower than \$8,500,000.00. The Mortgagee may also appoint his/her own representative to inspect the property, the cost of inspection is \$1,000 which will be deducted from the mortgage advance. The lender will be satisfied with his representative's inspection and estimate.

**Legal Fee:** The Borrower shall be responsible for the legal fees and disbursement for this transaction to be included by the Lender and the Borrower.

**Post-dated Cheques:** The Borrower shall deliver to the Lender a series of Seven (7) post-dated cheques, commencing on May 12th, 2019, made payable to the Lender and payable under the loan during the Term. This will be waived if paid in advance on closing.

**Dishonored cheques:** \$300.00 fee for any N.S.F. cheque or returned cheque plus 24.00% of annual interest calculated on the unpaid interest.

**Preconditions to Advance:**

The obligation of the Lender to advance the Principal Sum under this Agreement is subject to and conditional upon:

- (a) the Borrower and Guarantor are the registered owners of the Subject Properties;
- (b) the 2nd mortgages in favor of the lender registered against title to the Subject Property;
- (c) each representation, statement, declaration and all information provided to the Lender or the Lender's solicitor by the Borrower in connection with this loan being true and accurate at the time it was given or made;
- (d) No other encumbrances: at the time of the registration of the said first mortgage in favor of the lender, there are no other encumbrances or charges against the Subject property.
- (e) there being no restrictions, liens or encumbrances against the Subject Properties at the time of the advance of the Principal Sum other than (i) any minor easements for the supply of domestic utility or telephone services to the Subject Properties or adjacent properties; (ii) any minor easements for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services which do not materially affect the use of the Subject Properties as an agricultural land; (iii) any registered municipal agreement and registered agreement with publicly regulated utilities providing such have been complied with; and (iv) any registered restrictions that run with the land providing such are complied with.

**Registered Charges/Mortgages:** At the time of this second mortgage registration, no other parties have any interest in this property except the first mortgage of \$2,000,000.00 and this charge

**Current Mortgage Statement:** Outstanding balance should be verified If applicable.

**ID's:** Solicitor to obtain valid identification from mortgagor(s)/guarantors to verify their identities.

**Title:** Title has to be free and clear of all encumbrances, liens, etc., prior to the registration of the charge.

Borrower Initial     *Sum*    

Lender Initial     *X.Y.*

**Title Insurance:** The Lender will obtain at Borrower's expense, Title Insurance on the Subject Properties, "Loan Policy", as defined by the insurer.

**Property Taxes:** All property taxes of the Subject Properties must be paid in full for prior years and up-to-date for the current year. If the realty taxes are in arrears at anytime, this Charge will then become due and payable immediately, at the Lender's sole option.

**Property Insurance / Fire Insurance:** During the Term of this mortgage, the Borrower should provide evidence of insurance against fire and other hazards of the Subject Properties for its full replacement value in an amount of not less than \$8,500,000.00 with loss or the amount the Lender is satisfied with payable to the Lender as their interest may from time to time appear. A copy of the insurance policy of the Subject Properties shall be delivered to the Lender's solicitor for review prior to the funding. The properties must be fully insured to the extent of their full value against fire and all other perils customarily covered under comprehensive insurance policies and all applicable policies must contain an endorsement naming the Lender as a named insured and conferring upon the Lender the standard rights of a mortgage under the standard wording approved by the insurance bureau of Canada.

**Condominium Insurance:** (If applicable) Status certificated is required. Proof of condominium insurance package and premiums are all up to date.

**Fixtures:** It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed otherwise now or hereafter put upon the said lands, including but without limiting the generality of the foregoing, all fences, heating, plumbing, air conditioning, ventilating, lighting and water heating equipment, window blinds, floor covering, storm windows, and screen doors and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the lands and shall be a portion of the security for the indebtedness herein mentioned.

**Work Orders:** There should be no outstanding work orders against the property.

**Zoning:** The property must comply with all relevant municipal by-laws and without limiting the generality of the foregoing all fire safety retrofit requirements.

**Independent Legal Advice:** Each Covenantor and Guarantor, if any, named herein and executing this Loan Agreement must obtain Independent Legal Advice, Covenantor and Guarantor must pay the solicitor's fee associated with this advice.

**Default on Payment:** If for any reason the Borrower fails to make any payment on time, the Borrower shall be in default. The Lender can then demand instant payment of the entire remaining unpaid balance of this loan, without giving any further notice.

**Successors and Assigns:** This Agreement shall be binding upon and shall ensure to the benefit of the Lender and the Borrower and their respective successors and assigns. The Borrower may not assign or transfer its rights and obligations under this Agreement without the prior written consent

5

Borrower Initial

Sm

Lender Initial

Xy



of the Lender. The Lender may assign or transfer its rights and obligations under this Agreement fully or partially without the Borrower's consent.

**Non-Transferable:** Provided that in the event the Chargor sells, transfers or otherwise disposes of the charged property or any portion thereof or any interest therein, the Principal Sum hereby secured shall immediately become due and payable together with any penalties set out herein.

**Renewal / Extension:** Provided that the Mortgage has been kept in good standing and no defaults have occurred during the initial term of this Mortgage, the Mortgagor shall contact the lenders or lender's representative at a minimum two months before the expiry of this mortgage term if the Mortgagor wishes to renew or extend. The Mortgagee has the right to accept or decline to renew/extend this mortgage in the Mortgagee's sole and absolute discretion. If the current Mortgagee agrees to renew or extend this mortgage, for a period of SIX MONTHS or less, under the current or different term and it is accepted by the Mortgagor, the Mortgagor shall be responsible for the legal expenses, and renewal/extension/broker fee (total 5%) for extending or renewing this mortgage.

**Cancellation Costs:** In the event that the Borrower decides not to close on this Mortgage then any and all costs incurred by Lender shall be paid by the Borrower. The Good Faith Deposit will not be returned to the borrowers.

**Standard Charge Terms:** Filing number 200033

**Documentation:** The Security Documentation must be in the standard form of the Lender or in a form approved by the Lender. The Lender shall not be obliged to advance any amount of the mortgage loan where at the time of closing of the transaction the Borrower is, or if an advance was made, would be in default under the terms of the Loan Agreement or any of the Security Documentation. The Lender may require all documentation to be prepared and registered by the Lender's lawyer.

**Escrow Advances:** Where the Lender agrees to advance funds to a solicitor prior to the receipt of all the Security Documentation by the Lender, all such advances shall be received by the solicitor in trust for the Lender and the solicitor shall not make any advance or other distribution of the advances so received until such times as all required security is in place.

**Execution:** The Loan Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original, but all of which taken together constitute one and the same instruction. Execution of the Loan Agreement via facsimile or other electronic transmission shall be binding upon the Borrower and the Lender and their respective heirs, executors, administrators, successors and assigns.

**Warranty:** The Mortgagor warrants that the building has never been insulated with UFFI and that there are no environmental problems relating to the properties and if they occur they will be attended to by the owner or the mortgage may be called at the Mortgagee's option.

6

Borrower Initial Sum

Lender Initial X,y

**Notice:** Any notice, request or demand herein provided or permitted to be given by the Borrower to the Lender shall be sufficiently given if delivered by prepaid courier or prepaid registered mail to the address as follows:

- (a) To the Lender at:  
35 Hollywood Ave Suite 1819, Toronto, ON, M2N 0A9
  
- (b) To the Borrower at:  
C/O Sun, Huigang  
1922 44<sup>th</sup> Ave E, Vancouver, BC, V6M 2E7  
Tel: 604-375-5555  
5 Mckay Crescent Markham, L3R 3M7

**Governing Law:** This Agreement is made pursuant to and shall be governed by and construed in accordance with the laws of Canada and the laws of Ontario applicable therein.

**Schedule(s):** Schedule "A" forms part of this Loan Agreement.

**Acceptance:** This agreement shall be valid until 11:59pm March 28th, 2019. The terms of herein agreement shall survive the funding of this mortgage.


The Borrower agrees to enter into a mortgage with a Lender which shall include the terms attached as Schedule "A" to this agreement. The Borrower acknowledges and agrees that Schedule "A" shall be incorporated into a mortgage with the Lender and the Borrower agrees to be bound by such additional terms.

**Final Terms & Conditions:** The term and conditions on this agreement may change before the final closing date. The lender's solicitor may add and amend any terms and conditions on this agreement.

This Agreement is signed this 25<sup>th</sup> day of March 2019.

**SUNNYWAYS INVESTMENT INC.**

\_\_\_\_\_  
(Witness):


  
\_\_\_\_\_  
XIAONING YAN

(Lender)

I have authority to bind the corporation

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

\_\_\_\_\_  
(Witness):

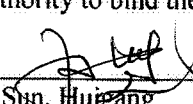
  
\_\_\_\_\_  
Sun, Huigang

(Borrower)

March 26, 2019

I have authority to bind the corporation

  
\_\_\_\_\_  
(Witness):

  
\_\_\_\_\_  
Sun, Huigang

(Guarantor)

March 26, 2019

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Borrower Initial

Sun

Lender Initial

X.Y.

## SCHEDULE "A" - ADDITIONAL PROVISIONS

### ADMINISTRATION FEE

The Chargee/Mortgagee shall charge an administration fee of \$300.00 for each occurrence of any of the following events:

- 1) Late payment or No Payment;
- 2) Cheque Dishonoured for any reason;
- 3) Failure to pay realty taxes when same fall due;
- 4) Failure to provide proof of payment of realty taxes;
- 5) Failure to obtain and/or maintain insurance coverage. With mortgage endorsement in favour of the herein Chargee/Mortgagee or its assigns;
- 6) Failure to provide proof of insurance coverage on an annual basis;
- 7) Failure to provide post-dated cheques;
- 8) Default under condominium or co-ownership declaration and by-laws;
- 9) Failure to notify Chargee/Mortgagee of registration of a Lien by the Condominium Corporation or Co-Ownership Corporation, for common maintenance arrears or other default;
- 10) Default under prior mortgage, charge or encumbrance;
- 11) Request for Mortgage Statement;
- 12) Request for Discharge Statement;

Such administration fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

### DISPOSITION OF THE MORTGAGED LAND

Provided that if the Chargor(s)/Mortgagor(s), sells, transfers, conveys or otherwise disposes of the lands and premises all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall at the sole option of the Chargee/Mortgagee, be immediately due and payable and shall bear interest at the rate of interest in accordance with the terms of this Charge/Mortgage from the payment date next preceding the date of such sale, transfer, conveyance or disposition to the date of payment.

### COSTS

In the event of default under the herein Charge/Mortgage, notwithstanding anything contained to the contrary hereinbefore or hereinafter, all costs, charges and expenses including all legal costs on a solicitor and client basis, which may be incurred in endeavoring to collect any monies overdue under this charge, and/or rectifying all other monetary or non-monetary default under the terms of this charge and including but not limited to obtaining legal counsel and advise and to the taking, recovering and keeping possession of the said lands and of negotiating this loan, investigating title, and registering the Charge/Mortgage and other necessary deeds, and generally in any other acts, actions and/or proceeding taken, in connection with or to realize this security shall be with interest at a rate as set out herein, a charge upon the said lands in favour of the Chargee/Mortgagee.

### PAYMENT METHOD

The Chargor(s)/Mortgagor(s) shall provide the Chargee/Mortgagee with a series of post-dated cheques on or before the closing date of the Charge/Mortgage and a further series of post-dated cheques on or before each anniversary date of the within Charge/Mortgage. Failure to provide such cheque shall at Chargee/Mortgage's option constitute default under the Charge/Mortgage. In the event that there is more than one Chargee, the Chargor shall provide separate payments to each Chargee. In the event that the Chargee/Mortgagee is assigned, then the Chargor shall forthwith provide a replacement series of post-dated cheques to the new Chargee/Mortgagee or as the new Chargee/Mortgagee may so direct.

In the event that the Chargee is or becomes a financial institution as Trustee for the RRSP or RRIF of an individual or individuals, the Chargor shall forthwith provide a replacement series of post dated cheques to the planholders or individuals, the Chargor shall forthwith provide a replacement series of post dated cheques to the planholder or planholders or as the planholder or planholders directs.

### ASSUMPTION OF CHARGE CLAUSE

  
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NOTWITHSTANDING anything to the contrary hereinbefore or hereinafter contained, the Chargor/Mortgagor expressly covenants, undertakes and agrees that the prior written approval of the Chargee/Mortgagee, which approval may at its sole discretion be withheld by the Chargee/Mortgagee, in the event of failure by the Chargor/Mortgagor to obtain such prior approval, the within Charge/Mortgage shall at the sole option of the Chargee/Mortgagee become due and payable. Following approval by the Chargee/Mortgagee to any sale or transfer of title as aforesaid, the Chargor/Mortgagor shall obtain from the purchaser an agreement in writing assuming the within Charge/Mortgage and all monies then owing thereunder are in default of the execution and delivery to the Chargee/Mortgagee of such assumption agreement, the monies then owing hereunder shall be accelerated and become legally due and payable; it's being understood and agreed, however, that the Chargor/Mortgagor shall remain liable to the Chargee/Mortgagee in respect to any deficiency upon a sale of the said lands and premises by the Chargee/Mortgagee under the Power of Sale provisions contained in the within Charge/Mortgage or upon sale of the said lands and premises by a prior Charge/Mortgage or other prior encumbrance.

#### ASSIGNMENT OF RENT

The Chargor(s)/Mortgagor(s) will assign to the Chargee/Mortgagee all rents payable from time to time under leases of the land or any part thereof whether presently existing or arising in the future, together with the benefit of all covenants contained in the said leases in favour of the Chargor(s)/Mortgagor(s) covenants and agrees that it will forthwith after making any lease of the land or any part thereof grant and assign to the Chargee/Mortgagee the reversion of such lease; provided that nothing herein contained shall be deemed to make the Chargee/Mortgagee responsible for the collection of such rents or any part thereof or for the performance of any covenants terms or conditions contained in any such lease, and that the Chargee/Mortgagee shall not by virtue of these presents be deemed a Chargee/Mortgagee in possession of the land; and provided further that the Chargee/Mortgagee shall be liable to account for only such monies as may actually come into its hands by virtue of these presents less proper collection Charges and that such monies when so received by the Chargee/Mortgagee shall be applied on account of the debt secured by the Charge/Mortgage; and provided further that the Chargee/Mortgagee will not cause the tenants under the said leases or any of them to pay rent to the Chargee/Mortgagee unless and until default has occurred in performance of any covenant contained in this Charge/Mortgage; and the Chargor(s)/Mortgagor(s) will perform all of the Landlord's covenants and obligations contained in the said leases or any of them. The Chargor(s)/Mortgagor(s) will execute such further documents as the Chargee/Mortgagee may from time to time deem requirements for the purpose of giving full effect to the Assignment of rents hereinbefore contained and of enabling the Chargee/Mortgagee to enforce payment of such rents.

#### OPERATION STATEMENTS

The Chargor/Mortgagor agrees to provide to the Chargee/Mortgagee annually, and not later ninety days (90) from the balance due date as set out in Box(9)(1) on page 1 herein, and each extension thereof audited statements of income and operating expenses for the lands and premises mortgaged, which statements shall be certified by an officer of the Chargor/Mortgagor to be true and accurate together with a copy of the current rent roll. Failure to provide such statements of income and operating expenses in accordance with the provisions herein, shall at the Chargee's/Mortgagee's option constitute default under the Charge/Mortgage.

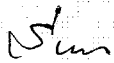
#### LISTING FOR SALE

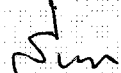
The Chargor/Mortgagor agrees that in the event the Chargor/Mortgagor desires to list for sale the lands and premises mortgaged herein within two (2) years of the later of the interest adjustment date herein and the last renewal date, the Chargee/Mortgagee shall have the right of the first refusal to purchase the said lands and premises on the same terms and conditions as any bona-fide offer submitted to the Mortgagor and which the Mortgagor wishes to accept, save and except that the actual purchase price to the Chargee/Mortgagee shall be equal to the amount as contained in the aforesaid acceptable bona-fide offer, less the total real estate commission payable in connection with the said acceptable bona-fide offer. The Chargor/Mortgagor shall deliver a legible and complete copy of the said bona-fide offer to the Chargee/Mortgagee and the Chargee/Mortgagee shall have three (3) business days following receipt of the said bona-fide offer to exercise the right of the first refusal by notifying the Chargor/Mortgagor failing which the said first right lapses; only to be reinstated should the Chargor/Mortgagor fail to complete the subject bona-fide offer.


#### SALE ON TERMS

In the event power of sale proceedings are taken, the Chargee as vendor may sell the property on terms and if the result is that a charge/mortgage or charges/mortgages by the Chargee are taken back as part consideration of the sale, then the Chargee shall be entitled to sell those mortgages at a discount, without recourse by the Chargor/Mortgagor and the discount shall form part of the loss incurred by the Chargee and be recoverable against the Chargor.

In the case of sale on credit the Chargee/Mortgagee shall be bound to apply on account only such monies as have been actually received from the purchasers from time to time. After the satisfaction of all Chargee's/Mortgagee's claims, the Chargee will not be bound to pay any amount to the Chargor/Mortgagor or any other person claiming entitlement thereto until all such agreements and assurances as the Chargee/Mortgagee considers fit have been executed and delivered.

  
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without any demand being required to be made.

AND it is hereby expressly declared that although as between the Guarantor the Mortgagor, the Guarantor is only surety for the payment by the Mortgagor of the moneys hereby guaranteed, yet as between the Guarantor and the Mortgagee the Guarantor shall be considered as primarily liable therefore and that therefore and that no leases or releases of any default by the Mortgagor any successor which may arise under this mortgage, and the no extension or extensions granted by the Mortgagor or any successor for payment of the mortgage moneys hereby secured or the doing, observing or performing of any covenant, agreement, matter or thing herein contained, to be done, observed or performed by the Mortgagor or any successor nor any variation in or departure from the provisions of this mortgage nor any other dealing between the Mortgagor or any successor and Mortgagee nor any release of the Mortgagor any other thing whatsoever whereby the Guarantor as surety only would or might have been released shall in any way modify, alter, vary or in any way prejudice the Mortgagee or affect the liability of the Guarantor in any way under this covenant, which shall continue and be binding on the Guarantor, and as well after as before default and after as before maturity of this mortgage, until the said mortgage moneys are fully paid and satisfied; And it is hereby further expressly declared that the Mortgagee shall not be bound to exhaust its recourse against the Mortgagor or the mortgaged premises before being entitled to payment from the Guarantor of the amount hereby guaranteed by the Guarantor.

ANY payment by the Guarantor or any moneys under his said guarantee shall not in any event be taken to affect the liability of the Mortgagor for payment thereof but such liability shall remain unimpaired and enforceable by the Guarantor against the Mortgagor and the Guarantor shall to the extent of any such payments made by him in addition to all other remedies subrogated as against the Mortgagor to all the rights, privileges and powers to which the Mortgagee was entitled prior to payment by such Guarantor; provided, nevertheless, that the Guarantor shall not unless and until the whole of the principal, interest and other moneys owing on the security of this mortgage shall have been paid, be entitled to any rights or remedies whatsoever in subrogation to the Mortgagee.

AND it is further hereby expressly declared that the release of any of the Guarantors from his or their liability hereunder shall not affect the liability of the remaining Guarantor or Guarantors which shall remain unimpaired and still in full force and effect as if the Guarantor or Guarantor so released had not been a party or parties to this Agreement.

ALL covenants, liabilities and obligations entered into or imposed hereunder upon the Guarantor or Guarantors shall be equally binding upon his, or their heirs, executors, administrators and assigns, or successors and assigns as the case may be, and all such covenants and liabilities and obligations shall be joint and several.

THE Mortgagee may vary any agreement or arrangement with the Guarantor and grant extensions of time to or otherwise deal with him, his executors or administrators, without any consent on the part of the Mortgagor.

"Borrower" = "Charger" = "Mortgagor"  
"Lender" = "Chargee" = "Mortgagee"

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The Chargee/Mortgagee may buy in or rescind or vary and contract for the sale of the whole or any part of the property and resell without being answerable for loss occasioned thereby.

Any person, including the Chargee/Mortgagee herein, may bid on, tender for or purchase the property at the sale.

#### RECEIVERSHIP CLAUSE

The Chargee/Mortgagee agrees if and whenever the Chargee/Mortgagee becomes entitled hereunder to enter into possession of the mortgaged premises, it may in its sole discretion, by writing, appoint a Receiver of the mortgaged premises or any part thereof and of the rents and profits hereof and from time to time remove any receiver and appoint another in his stead and that in making any such appointment or appointments the Chargee/Mortgagee shall be deemed to be acting as the attorney for the Chargee/Mortgagee.

And that the following provisions shall apply upon the appointment of any such receiver, that such appointment may be made either before or after the Chargee/Mortgagee shall have entered into or taken possession of the mortgaged premises or any part thereof, that every such receiver may, at the sole discretion of the Chargee/Mortgagee, be vested with all or any of the powers such receiver and discretions of the Chargee/Mortgagee; that the Chargee/Mortgagee may from time to time fix the remuneration of every such receiver and direct the payment thereof from the mortgaged premises or the proceeds thereof; that every such receiver shall so far as concerns the responsibility for his acts or omissions be deemed the agent of the Chargee/Mortgagee and in no event the agent of the Chargee/Mortgagee; and the Chargee/Mortgagee in making or consenting to such appointment shall not incur any liability to the receiver for his remuneration or otherwise howsoever; that all monies from time to time received by such receiver shall be paid by him firstly, in discharge of all rents, taxes, insurance premiums and outgoing affecting the mortgaged premises; secondly, in payment of his commission as receiver and the cost of executing the necessary or proper repairs; thirdly, in keeping in good standing all charges on the mortgaged premises prior to this Charge/Mortgagee; fourthly, in payment of the interest accruing due under this mortgage; and the residue of any money so received by him shall be applied on the principal sum from time to time owing under this Charge/Mortgagee.

#### NON-TENANTS

The Chargee(s)/Mortgagee(s) confirm that the premises Charged/Mortgaged hereunder is a single family home not subject to a tenancy agreement at the date of execution in full of the indebtedness hereunder, and that any tenancy created shall be deemed a default under the herein charge mortgage loan.

#### AUTOMATIC RENEWAL

Provided that should the mortgage loan not be repaid in full on the maturity date, then and at the sole option of the Chargee/Mortgagee, the Chargee(s)/Mortgagee(s) and Guarantor(s) if any, shall be deemed to have accepted and the mortgage shall be automatically extended for a further period of six (6) months at a rate of interest, commencing on the first day of the extended term, equal to the rate of interest of the immediately previous term plus 5.0% per annum, calculated and payable interest only monthly, together with a renewal fee equivalent to 5.0% of the then outstanding balance, said renewal fee to be due and payable on the first day of the extended term failing which same shall, at the sole option of the Chargee/Mortgagee automatically be added to the then outstanding balance of the mortgage loan, as principal.

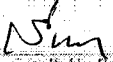
#### DISCHARGE

Provided that when a discharge of the Charge/Mortgage is required for the within Charge/Mortgage, then the Chargee's/Mortgagee's solicitor will prepare discharge documentation for execution by the Chargee/Mortgagee, which costs shall be at the Chargee/Mortgagee's expense.

#### DEFAULT

Each and every of the following events shall constitute default under this Charge/Mortgage:

- 1) Default in the payment of the Principal Amount, interest or any other amount secured by this Charge/Mortgage, when payment of such amount becomes due under the terms of this Charge;
- 2) If the Chargee/Mortgagee sells, transfers or otherwise disposes of the property or any interest in the Property, to a purchaser not approved by the Chargee/Mortgagee in writing;
- 3) If the Chargee/Mortgagee is a Corporation and there is a change of the control to a person not approved by the Chargee/Mortgagee in writing;
- 4) If a petition in bankruptcy is filed against the Chargee/Mortgagee, if the Chargee/Mortgagee makes a proposal to creditors under the Bankruptcy and Insolvency Act or makes a general assignment for the benefit of its creditors. If a receiver interim receiver monitor or similar person is placed or is

  
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SERVICING FEE

Provided further that the Chargor represents and warrants that he is called upon to pay any payment in order to protect its security position including but not limited to the payment of realty taxes, insurance premiums, condominium common expenses, principal interest or costs under a prior to the mortgage, it is agreed that such payment shall bear interest at eighteen (18%) percent per annum calculated and compounded monthly and that there shall be service charge of not less than \$400.00 for making each such payment or payments.

FARM DEBT MEDIATION ACT

Provided further that the Chargor represents and warrants that he is not a "Farmer" as defined in the Farm Debt Mediation Act and the Chargor further covenants and agree that during the currency of the within Charge will not engage in any activity which would have the effect of deeming him a Farmer within the meaning of the Farm Debt Mediation Act. In the event that the Chargor fails to comply with the within provision the within Charge's option immediately become due and payable in full together with a service charge equivalent to three (3) months interest thereon.

BANKRUPTCY & INSOLVENCY ACT

The Chargor/Guarantor represents and warrants that she/he is not an "undischarged bankrupt" as defined in the Bankruptcy and Insolvency Act. In the event that the Chargor/Guarantor is an "undischarged bankrupt", then all amounts, whether principal interest or otherwise that may be owing hereunder including administration fees and bonuses together with a three (3) month interest payment thereon shall be immediately due and payable at the option of the Chargee.

COVENANT TO PAY BROKER FEE/REFERRAL FEE/LENDER LEGAL FEE/COSTS

The Chargor acknowledges that the loan hereby secured was arranged by one or more mortgage brokers or real estate brokers or by others and that broker referral fees and legal costs were incurred by the Chargee, on behalf of the Chargor, in connection herin. Part of the consideration received by the Chargee in agreeing to advance the funds secured hereby is the payment of the mortgage brokers fee stipulated in Form 2 as required under the Mortgage Broker Act, R.S.O., 1990 or the payment of the real estate brokers fees or referral fee as the case may be, and legal costs incurred by the Chargee on half of the Chargor herein. Upon registration of this Charge, and where the Chargor is unable to or unwilling to receive the monies secured hereby, the Chargor shall not be entitled to a discharge of this charge until the mortgage brokers fees or real estate brokers fees or referral fees, as the case may be, the lender fees, and the legal costs incurred by the Chargee, on behalf of the Chargor herein, are paid in full.

PRIORITY PAYMENT OF ACCOMMODATION AND/OR AMENDMENT FEE/BROKER FEE /REFERRAL FEE/ LENDER FEE/ LEGAL COSTS


In the event the terms of this mortgage or any amendment and/or accommodation agreement made with respect thereto specifically provide for the capitalization or deferral of any accommodation and/or amendment fee, broker fee, referral fee, lender fee and/or legal costs, the Chargor/Mortgagor and Guarantor hereby acknowledge and agreed and warrant and represent that all payments made are intended to and all be first applied as payment against accommodation and/or amendment fees, referral fees, broker fees, lender fees and legal costs so capitalized or deferred, until such fees and costs are paid in full.

SEVERABILITY OF ANY INVALID PROVISIONS


If in the event that any covenant, term or provision contained in this Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired thereby, and all such remaining covenants, provisions and terms shall continue in full force and effect. All covenants provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the cause may be.

GUARANTOR CLAUSE

IN consideration of the premises and of the Mortgagee advancing the said money to the Mortgagor, the Guarantor doth hereby absolutely and unconditionally guarantee to the Mortgagee and its successors and assigns, the due and punctual payment by the Mortgagor of all principal moneys, interest and other moneys owing on the security of this mortgage, and the Guarantor for himself, his heirs, executors and administrators, covenants with the Mortgagee that if the Mortgagor shall at any time make default in the punctual payment of any moneys payable hereunder, he or they will pay all such moneys to the Mortgagee

  
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To be initialed by Lender

threatened to be placed in control of for overview of the Chargor/Mortgagor's affairs or Property in the opinion of the Chargee/Mortgagee the Chargor/Mortgagor becomes insolvent;

- 5) Default under any terms or covenants contained herein or under any terms or covenants contained in any encumbrance registered in priority or subsequent to this Charge/Mortgage, or in payment of the realty taxes or condominium common expenses for the said property, shall constitute default under this Charge/Mortgage.

ANY PAYMENT that is made after 1:00pm on any date shall be deemed, for the purpose of calculation of interest, to have been made and received on the next bank business day.

The Chargor/Mortgagor agrees that should the mortgage not be renewed or discharged on the maturity date, that the Chargee/Mortgagee, at its option, shall be entitled to charge an additional fee equivalent to three (3) months interest, which amount shall be added to the principal amount outstanding hereunder on the maturity date.

The Chargor/Mortgagor agrees that should the Chargee/Mortgagee commence action due to default under the Charge/Mortgage, that the Chargee/Mortgagee at its option shall be entitled to charge an additional fee equivalent to three (3) months interest.

#### PREPAYMENT PRIVILEGE

PROVIDED that the Chargor, when not in default hereunder, shall have the privilege of prepaying the whole or any part(s) of the principal sum herein secured on any monthly payment date(s) without notice or bonus.

#### ACKNOWLEDGEMENT ON ASSIGNMENT

In the event that the Chargee assigns transfers or otherwise convey its interest hereunder, and upon the delivery of notice of same to the Chargor, the Chargor, if so requested, shall without costs, at any time and from time to time, execute an acknowledgement with respect to the terms and conditions of the Charge and the amount outstanding thereunder. Failure to execute the acknowledge and deliver the acknowledgement to the Chargee within 5 days of its receipt by the Chargor to the Chargee shall be deemed to be default by the Chargor under the Charge.

#### FURTHER ENCUMBRANCES

The Chargor shall not grant or permit any further mortgages, charges or encumbrances of any nature to be registered against the property without the prior written consent of the Chargee, and in the event of breach of this covenant, the Chargee shall be entitled to commence default proceedings and at the option of the Chargee, all money secured by this Charge/Mortgage together with amount equal to three (3) months interest on the principal amount at the rate applicable to the principal amount shall become due and payable immediately.

#### CAPITALIZATION OF ANY PAYMENTS ON PRIOR ENCUMBRANCES


If the Chargor makes any agreement with any prior encumbrancers to satisfy any arrears of mortgage, property taxes, insurance or any other payments respecting the property by way of an increase in the principal balance of the mortgage account or any other increase in the mortgage account, without the prior written consent of the Chargee, such act shall be default under this Charge/Mortgage.

#### ACCRUAL OF INTEREST

In the event the terms of this Mortgage specifically provide for the accrual of interest for a specified period of time, the Chargor/Mortgagor confirms, represents and warrants that the provision for the accrual of interest has been requested by the Chargor/Mortgagor and the Chargor/Mortgagor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Chargee/Mortgagee but for the accrual, towards payment of outstanding realty taxes or to subsequent Chargee/Mortgagees and other subsequent encumbrance.

#### INDEMNIFICATION OF CHARGE

In the event the Chargee shall be made a party to any litigation commenced by or against the Chargor, the Chargor shall indemnify and hold the Chargee harmless therefrom and shall pay all costs, expenses and solicitor's fees on a full indemnity basis such costs shall be a charge on the property and may be added to the principal amount secured hereby.



To be initialed by Borrower



To be initialed by Borrower

To be initialed by Lender

To be initialed by Lender



# Mortgage Loan Agreement

This Mortgage Loan Agreement is made as of the 26th day of March 2019.

**BETWEEN:**

**Young & Young Capital Inc.**  
(the "Lender")

-and-

**BESCO INTERNATIONAL INVESTMENT CO. LTD**  
(the "Borrower")

**WHEREAS** the Borrower has applied to the Lender for a certain loan and the Lender has agreed to such loan application upon the terms and conditions hereinafter provided:

## Principal Sum & Interest

The Lender agrees to loan in the sum of Seven Hundred and Fifty Thousand Dollars (\$750,000.00) CAD (the "Principal Sum"), to the Borrower and the Borrower promises to repay the Principal Sum to the Lender, at such address as may be provided in writing, with interest payable on the unpaid principal at the rate of eleven per cent (11%) per annum for the first 6 months and the rate of Twenty per cent (20%) per annum for the last month respectively, calculated monthly, not in advance.

## Security

The Borrower agrees to provide a security for such loan by a valid second mortgage on the Subject Properties herein after provided with the following terms and conditions:

Subject Properties: 414 Croft St E, P011Hope, ON (25.22 Acres with all buildings)

Loan Purpose: Refinance to replace the existing mortgage loan

Priority of the mortgage: 3rd Mortgage

Principal Amount: ~~\$750,000.00 CAD~~ \$200,000.- CAD. *Y.Y.*

Term : 7 months (first 3-month is closed, and the last 4-month is open with 30-day written notice to the lender)

Borrower Initial *BSM*

Lender Initial *Y.Y.*

Interest Rate: For the first 6 month 11 % per annum, calculated monthly, not in advance  
For the 7th month 20% per annum, calculated monthly, not in advance  
Interest only  
Payment: ~~\$6,875.00~~ <sup>\$1,833.33 ✓</sup> per month (for the first 6 months), and ~~\$12,500.00~~ <sup>3,333.33 ✓</sup> per month (for the 7<sup>th</sup> month), interest payment only

Amortization: Not applicable

Closing Date: March 29th, 2019

Interest Adjustment Date: March 29th, 2019

First Payment Date: April 29th, 2019

Maturity/Balance Due Date: 7 months from the date of advance estimated to be Oct 29th, 2019

**Standby Fee/Commitment Fee:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a non-refundable standby fee/commitment fee in the amount of \$5,000.00 held in trust by lender's lawyer Tan & Associates. **(Waived)**

**Good Faith Deposit:** At the time of acceptance of this loan agreement, the Borrower and Guarantors shall pay a Good Faith Deposit in the amount of \$20,000. The Good Faith Deposit will be deposited in trust by lender's lawyer Tan & Associates and will be refunded to the borrower at the time of the advance of the mortgage. If the loan does not proceed due to borrower's request I issues OR failure to provide the lender with all the required security documents, all material information (legal or otherwise) with respect to the Borrower / Guarantor, and satisfactory documentation as listed under the "Documentation Review", the Good Faith Deposit will be retained by the Lender as compensation to the Lender for reserving the funds and for the work completed. If this loan agreement is refused by the Lender, this Good Faith Deposit will be returned to the Borrower without any interest or deduction.

**Conditions:** This loan agreement is conditional upon the lender inspecting the properties and documentation review within 5 banking days after the acceptance of this loan agreement, if the lender is not satisfied with his inspection / estimate or document review, this loan agreement shall be null and void and the Good Faith Deposit shall be returned to the borrower in full without interest and deduction. This condition is included for the benefit of the Lender and may be waived at the Lender's sole option within the time period state herein.

**Documentation Review:** The lender will not be obligated to make any advance of the loan unless the lender has received the following, all in form and substance satisfactory to the Lender and its

2

Borrower Initial   Sun   Lender Initial   Y.Y

solicitor. The borrower agrees to provide the following documents for documentations review upon the acceptance of this loan agreement:

1. Charges/transfers for Subject Properties
2. All professional reports including, but not limited to, the environment reports, appraisal reports, engineering reports, inspection reports, study reports, title, survey, legal, title & property insurance policy, lease agreement and others. (waived)
3. All site plans, approvals, and permits if in borrower's possession. (waived)
4. The company documents including Articles of Incorporation & Certificate of Incorporation , Form 1 or Certificate of Shareholders, Directors and Officers if applicable
5. Title & Property Insurance, Property Tax
6. Any document meeting minutes to support this project, or any document as required by the Lender and/or its legal counsel to check and verify information.

Prepayment Privilege: During the last 4 months of the term , the Mortgage can be fully or partially paid off with 30 days written notice, without penalty; otherwise 1-month interest will be charged for the prepayment.

Personal Guarantors: Sun, Huigang for the full amount of the loan

Security:

1. Registered 3rd mortgage/charge on the Subject Properties
2. The personal guarantee of borrower and guarantor, for 100% of the loan amount
3. General Security Agreement in favour of the lender
4. A charge in favour of the lender pursuant to the Personal Property Security Act of Ontario (PPSA).
5. ~~¥4,000,000.00~~ <sup>¥1040000.00</sup> (Chinese Yuan) deposit into Lender account as additional security
6. Assignment of Insurances
7. All other standard mortgage security
8. Such other reasonable legal security as required by the Lender and /or its legal counsel.

Appraisal & Inspection Cost: The Mortgagor will pay the cost to have the property appraised. The value of the property shall not be lower than \$8,500,000.00. The Mortgagee may also appoint his/her own representative to inspect the property, the cost of inspection is \$1,000 which will be deducted from the mortgage advance. The lender will be satisfied with his representative's inspection and estimate.

Legal Fee: The Borrower shall be responsible for the legal fees and disbursement for this transaction to be included by the Lender and the Borrower.

3

Borrower Initial     Sun     Lender Initial     Y.Y.

**Post-dated Cheques:** The Borrower shall deliver to the Lender a series of Seven (7) post-dated cheques, commencing on April 29th, 2019, made payable to the Lender and payable under the loan during the Term. This will be waived if paid in advance on closing.

**Dishonored cheques:** \$300.00 fee for any N.S.F. cheque or returned cheque plus 24.00% of annual interest calculated on the unpaid interest.

**Preconditions to Advance:**

The obligation of the Lender to advance the Principal Sum under this Agreement is subject to and conditional upon:

- (a) the Borrower and Guarantor are the registered owners of the Subject Properties;
- (b) the 3rd mortgages in favor of the lender registered against title to the Subject Property;
- (c) each representation, statement, declaration and all information provided to the Lender or the Lender's solicitor by the Borrower in connection with this loan being true and accurate at the time it was given or made;
- (d) No other encumbrances: at the time of the registration of the said first mortgage in favor of the lender, there are no other encumbrances or charges against the Subject property.
- (e) there being no restrictions, liens or encumbrances against the Subject Properties at the time of the advance of the Principal Sum other than (i) any minor easements for the supply of domestic utility or telephone services to the Subject Properties or adjacent properties; (ii) any minor easements for drainage, storm or sanitary sewers, public utility lines, telephone lines, cable television lines or other services which do not materially affect the use of the Subject Properties as an agricultural land; (iii) any registered municipal agreement and registered agreement with publicly regulated utilities providing such have been complied with; and (iv) any registered restrictions that run with the land providing such are complied with.

**Registered Charges/Mortgages:** At the time of this third mortgage registration, no other parties have any interest in this property except the first mortgage of \$2,000,000.00, a second mortgage of ~~\$1,500,000.00~~ and this charge

2,100,000.00 ✓ *[Signature]*

**Current Mortgage Statement:** Outstanding balance should be verified if applicable.

**ID's:** Solicitor to obtain valid identification from mortgagor(s)/guarantors to verify their identities.

**Title:** Title has to be free and clear of all encumbrances, liens, etc., prior to the registration of the charge.

4 Borrower Initial *Sum* Lender Initial *Y, Y*

**Title Insurance:** The Lender will obtain at Borrower's expense, Title Insurance on the Subject Properties, "Loan Policy", as defined by the insurer.

**Property Taxes:** All property taxes of the Subject Properties must be paid in full for prior years and up-to-date for the current year. If the realty taxes are in arrears at anytime, this Charge will then become due and payable immediately, at the Lender's sole option.

**Property Insurance / Fire Insurance:** During the Term of this mortgage, the Borrower should provide evidence of insurance against fire and other hazards of the Subject Properties for its full replacement value in an amount of not less than \$8,500,000.00 with loss or the amount the Lender is satisfied with payable to the Lender as their interest may from time to time appear. A copy of the insurance policy of the Subject Properties shall be delivered to the Lender's solicitor for review prior to the funding. The properties must be fully insured to the extent of their full value against fire and all other perils customarily covered under comprehensive insurance policies and all applicable policies must contain an endorsement naming the Lender as a named insured and conferring upon the Lender the standard rights of a mortgage under the standard wording approved by the insurance bureau of Canada.

**Condominium Insurance:** (If applicable) Status certificated is required. Proof of condominium insurance package and premiums are all up to date.

**Fixtures:** It is hereby mutually covenanted and agreed by and between the parties hereto that all erect ions and improvements fixed otherwise now or hereafter put upon the said lands, including but without limiting the generality of the foregoing, all fences, heating, plumbing, air conditioning, ventilating, lighting and water heating equipment, window blinds, floor covering, storm windows, and screen doors and all apparatus and equipment appurtenant thereto are and shall, in addition to other fixtures thereon, be and become fixtures and form part of the lands and shall be a portion of the security for the indebtedness herein mentioned.

**Work Orders:** There should be no outstanding work orders against the property.

**Zoning:** The property must comply with all relevant municipal by-laws and without limiting the generality of the foregoing all tire safety retrofit requirements

**Independent Legal Advice:** Each Covenantor and Guarantor, if any, named herein and executing this Loan Agreement must obtain Independent Legal Advice, Covenantor and Guarantor must pay the solicitor's fee associated with this advice.

**Default on Payment:** If for any reason the Borrower fails to make any payment on time, the Borrower shall be in default. The Lender can then demand instant payment of the entire remaining unpaid balance of this loan, without giving any further notice.

**Successors and Assigns:** This Agreement shall be binding upon and shall ensure to the benefit of the Lender and the Borrower and their respective successors and assigns. The Borrower may not assign or transfer its rights and obligations under this Agreement without the prior written consent

5

Borrower Initial       *Sum*       Lender Initial       *Y.Y*

of the Lender. The Lender may assign or transfer its rights and obligations under this Agreement fully or partially without the Borrower's consent.

**Non-Transferable:** Provided that in the event the Chargor sells, transfers or otherwise disposes of the charged property or any portion thereof or any interest therein, the Principal Sum hereby secured shall immediately become due and payable together with any penalties set out herein.

**Renewal I Extension:** Provided that the Mortgage has been kept in good standing and no defaults have occurred during the initial term of this Mortgage, the Mortgagor shall contact the lenders or lender's representative at a minimum two months before the expiry of this mortgage term if the Mortgagor wishes to renew or extend. The Mortgagee has the right to accept or decline to renew/extend this mortgage in the Mortgagee's sole and absolute discretion. If the current Mortgagee agrees to renew or extend this mortgage, for a period of SIX MONTHS or less, under the current or different term and it is accepted by the Mortgagor, the Mortgagor shall be responsible for the legal expenses, and renewal /extension /broker fee (total 4%) for extending or renewing this mortgage.

**Cancellation Costs:** In the event that the Borrower decides not to close on this Mortgage then any and all costs incurred by Lender shall be paid by the Borrower. The Good Faith Deposit will not be returned to the borrowers.

Standard Charge Terms: Filling number 200033

**Documentation:** The Security Documentation must be in the standard form of the Lender or in a form approved by the Lender. The Lender shall not be obliged to advance any amount of the mortgage loan where at the time of closing of the transaction the Borrower is, or if an advance was made, would be in default under the terms of the Loan Agreement or any of the Security Documentation. The Lender may require all documentation to be prepared and registered by the Lender's lawyer.

**Escrow Advances:** Where the Lender agrees to advance funds to a solicitor prior to the receipt of all the Security Documentation by the Lender, all such advances shall be received by the solicitor in trust for the Lender and the solicitor shall not make any advance or other distribution of the advances so received until such times as all required security is in place.

**Execution:** The Loan Agreement may be executed in any number of counterparts, each of which when executed and delivered is an original, but all of which taken together constitute one and the same instruction. Execution of the Loan Agreement via facsimile or other electronic transmission shall be binding upon the Borrower and the Lender and their respective heirs, executors, administrators, successors and assigns.

**Warranty:** The Mortgagor warrants that the building has never been insulated with UFFI and that there are no environmental problems relating to the properties and if they occur they will be attended to by the owner or the mortgage may be called at the Mortgagee's option.

Borrower Initial Sum Lender Initial Y.Y

**Notice:** Any notice, request or demand herein provided or permitted to be given by the Borrower to the Lender shall be sufficiently given if delivered by prepaid courier or prepaid registered mail to the address as follows:

- (a) To the Lender at:  
C/O Suite 506, 1315 Lawrence Ave E, Toronto, M3A3R3
  
- (b) To the Borrower at:  
C/O Sun, Hui gang  
1922 441h Ave E, Vancouver, BC, V6M 2E7  
Tel: 604-375-5555  
5 Mckay Crescent Markham, L3R 3M7

**Governing Law:** This Agreement is made pursuant to and shall be governed by and construed in accordance with the laws of Canada and the laws of Ontario applicable therein.

Schedule(s): Schedule "A" forms part of this Loan Agreement.

**Acceptance:** This agreement shall be valid until 11:59 pm March 28th, 2019. The terms of herein agreement shall survive the funding of this mortgage.

The Borrower agrees to enter into a mortgage with a Lender which shall include the terms attached as Schedule "A" to this agreement. The Borrower acknowledges and agrees that Schedule "A" shall be incorporated into a mortgage with the Lender and the Borrower agrees to be bound by such additional terms.

**Final Terms & Conditions:** The term and conditions on this agreement may change before the final closing date. The Lender's solicitor may add and amend any terms and conditions this agreement.

This Agreement is signed this 26<sup>th</sup> day of March 2019.

YOUNG & YOUNG CAPITAL INC.

\_\_\_\_\_  
(Witness):

\_\_\_\_\_  
*Ying Yang* (Lender)  
YING YANG

I have authority to bind the corporation

BESCO INTERNATIONAL INVESTMENT CO. LTD

\_\_\_\_\_  
(Witness):

\_\_\_\_\_  
*Sun, Hui gang* (Borrower)  
Sun, Hui gang

I have authority to bind the corporation

\_\_\_\_\_  
(Witness):

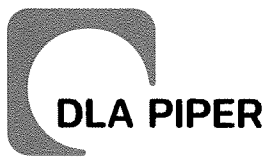
\_\_\_\_\_  
*Sun, Hui gang* (Guarantor)  
Sun, Hui gang

7

Borrower Initial Shun Lender Initial Y.Y

## **Appendix “F”**





**DLA Piper (Canada) LLP**  
Suite 6000, 1 First Canadian Place  
PO Box 367, 100 King St W  
Toronto ON M5X 1E2  
www.dlapiper.com

Danny M. Nunes  
danny.nunes@dlapiper.com  
T +1 416.365.3421  
F +1 416.369.7945

April 26, 2019

**VIA EMAIL**

Rueters LLP  
250 Yonge Street, Suite 2200  
Toronto, ON M5B 2L7

Attention: Sara Erskine

Dear Sara:

**Re: Besco International Investment Co. Ltd. ("Besco")**

---

As you are aware, we act as counsel to KSV Kofman Inc. in its capacity as the Court-appointed receiver and manager (in such capacities, the "**Receiver**") of Besco's real property located at 414 Croft Street East, Port Hope, ON (the "**Real Property**"), together with all other assets of Besco acquired for or used in relation to the Real Property, including all rents and proceeds therefrom.

We have had the opportunity to review the mortgage loan agreements (the "**New Mortgages**") that you have provided from Kingspound Capital Inc. ("**Kingspound**"), Sunnyways Investment Inc. ("**Sunnyways**") and Young & Young Capital Inc. ("**Y&Y**") (together, the "**New Lenders**") pursuant to which your client, Besco, intends to borrow the funds necessary to repay the indebtedness owed by it to Weichang Yang, in addition to providing for the administrative holdback amount required by the Receiver to deal with the professional fees and costs arising from the Real Property receivership.

Based upon our review of the terms of each of the New Mortgages, the loan transactions contemplated therein are incapable of closing by the terms of the New Mortgages, as each of the agreements specifically requires that all property taxes in respect of the Real Property must be paid, in full, for prior years, and on a current basis. As you are aware, the City of Port Hope is owed property tax arrears in the amount of approximately \$1,040,000 inclusive of accrued interest (representing several years of unpaid property tax arrears by Besco). Based upon previous discussions among my firm, yourself and Mr. Ping Tan (who, according to the New Mortgages acts as counsel for each of the New Lenders), Besco has not raised sufficient funds from the New Lenders to pay the accrued property tax, and instead has asked the City of Port Hope to agree to a payment plan for the principal amount of the property tax arrears, which would continue to rank ahead of the New Mortgages until paid in full. There is no indication in the New Mortgages that the New Lenders are aware of the status of the property tax arrears, nor the requested payment plan which as of this letter's date has not been agreed to by the City of Port Hope. As such, absent a specific waiver from each of the New Lenders of that condition (and an acknowledgement that their mortgages will rank behind up to \$900,000 of property taxes and 15% interest thereon), or some other source of committed funding (that is not itself in breach of the New Mortgage funding) to pay the property tax arrears in full, the proposed funding amount of \$4.3 million under the New Mortgages is

insufficient to repay the amounts necessary to complete the refinancing transactions contemplated in the New Mortgages in accordance with their terms.

Furthermore, the new Mortgages contain a number of provisions that do not accord with the current commercial and legal reality that Besco finds itself in, including in particular that the New Mortgages do not make any mention of the receivership nor do they account for the fact that if the proposed refinancing transaction is to proceed, it will require the Court's approval as well as the Receiver's discharge. We have concerns that these facts may not have been disclosed to the New Lenders given the paperwork.

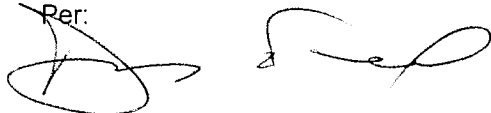
In light of the above, and the previous failed attempts by Besco to refinance the Yang mortgage, and the well founded doubts that the New Mortgage financing is capable of closing, it is the Receiver's intention to bring a motion forthwith before the Court to seek the approval of a sales process for the Real Property, including authorization to enter into a listing agreement with a real estate brokerage, and to set sales process deadlines and terms.

Given Besco's failure to date to produce its banking records relating to the Real Property to the Receiver despite repeated requests, the Receiver also intends to seek an order compelling Besco to comply with the terms of the Order of the Honourable Mr. Justice Penny dated February 13, 2019 appointing the Receiver and to provide the Receiver with copies of all bank statements relating to the Real Property as well as all records relating to rental payments made by Viceroy Houses Ltd. ("**Viceroy**") in respect of the Real Property.

Finally, as you are aware, on several occasions we and the Receiver have been contacted by Mr. Tan who has represented himself as acting on behalf of Besco and Viceroy. As noted above, the New Mortgages provide that Mr. Tan acts as the lawyer for the New Lenders. Given the uncertainty of Mr. Tan's status and apparent conflicting roles as lawyer to all of the aforementioned parties, we believe it is appropriate that all further communication going forward to and from the Receiver and DLA Piper shall be directed only to your office as counsel of record to Besco in the receivership proceedings, including any communication regarding the proposed New Mortgage financing. Please advise Mr. Tan accordingly.

Sincerely,  
**DLA Piper (Canada) LLP**

Per:

A handwritten signature in black ink, appearing to read 'Danny M. Nunes', written over a horizontal line.

Danny M. Nunes

cc. Mitch Vininsky, Jordan Wong, KSV Kofman Inc. (by email)

## **Appendix “G”**



Municipality of Port Hope  
 56 Queen Street  
 Port Hope, Ontario  
 L1A 3Z9  
 905-885-4544  
 Fax: 905-885-1807  
 Email: [tax@porthope.ca](mailto:tax@porthope.ca)

April 26, 2019

**PROPERTY TAX ARREARS  
 PAYMENT ARRANGEMENT**

**OWNERS:** Besco International Investment **TELEPHONE #:** 604-273-7555  
**PROPERTY ADDRESS:** 414 Croft St., Port Hope, ON  
**MAILING ADDRESS:** 4611 Viking Way, Unit 120, Richmond, BC V6V 2K9  
**ROLL NUMBER:** 1423-125-020-03450  
**EMAIL ADDRESS:** n/a

I/we, the undersigned, as owner(s) of the above noted property undertake to pay the Municipality of Port Hope the balance of our existing arrears, penalties, along with any future billings and interest.

**Such payments are to be made as below:**

**Lump sum payment of \$150,000 to clear outstanding interest upon signing.**

**Starting June 2019 monthly payments on or before the 15<sup>th</sup> of the month, in the amount of \$100,000 until all arrears have been paid in full.**

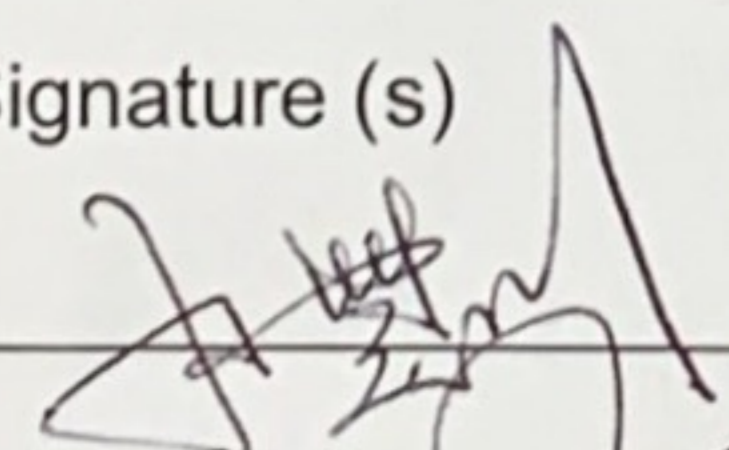
**Meetings between Besco and the Municipality of Port Hope be held on or before the 30<sup>th</sup> of the month every two months or at the Municipality's request.**

I/we are aware that **no payment can be missed or reduced.**

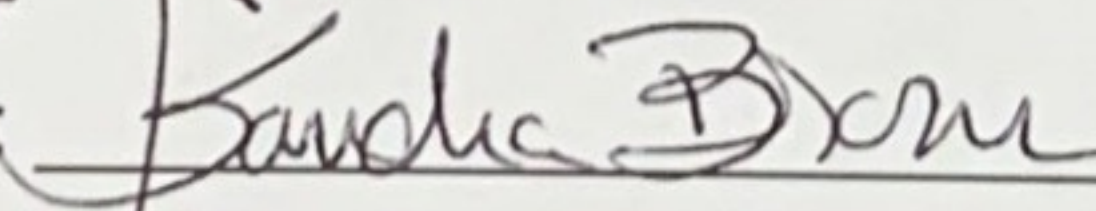
If default of payment occurs, I/we are aware that the Municipality of Port Hope will proceed **without further notice, with collection action.** I/we are aware that this may include contacting our mortgage company and/or Bailiff, or if 2 or more years in Arrears, registration of this property for Municipal Tax Sale. Once a property is registered for tax sale, the Municipality of Port Hope, no longer has the authority to accept any payments on our account, with exception of **payment in full** of all arrears, penalty/interest and associated fees for tax sale.

Signature (s)

Dated

  
 \_\_\_\_\_

Apr 26/19  
 \_\_\_\_\_

Accepted By:   
 \_\_\_\_\_

Apr 26/19  
 \_\_\_\_\_

Sandra Brown  
 Tax and Revenue Manager  
 Deputy Treasurer

## **Appendix “H”**

**MORTGAGE LOAN AGREEMENT AMENDMENT**

**BETWEEN:**

**KINGSPOUND CAPITAL INC.**  
(hereinafter called the "Lender")

- and -

**BESCO INTERNATIONAL INVESTMENT CO. LTD**  
(hereinafter called the "Borrower")


**WHEREAS** the Lender and Borrower have entered into the Mortgage Loan Agreement dated March 25, 2019;

**WHEREAS** the Lender and Borrower agree to amend the said Mortgage Loan Agreement as follows:

The Lender hereby agrees to accept the Property Tax Arrears Payment Arrangement dated April 26, 2019 between the Municipality of Port Hope and Besco International Investment Co. Ltd. regarding the property tax arrears of 414 Croft Street, Port Hope, Ontario, and the property tax provisions in the said Mortgage Loan Agreement (as attached in Schedule "A") is hereby waived.

Dated at Toronto, this 29<sup>th</sup> day of April, 2019.

**KINGSPOUND CAPITAL INC.**

Per:  \_\_\_\_\_

Name: Jing Ning  
Title: Director

I have the authority to bind the Corporation.

\_\_\_\_\_  
(Witness):

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

Per:  \_\_\_\_\_

Name: Huigang Sun  
Title: President

I have the authority to bind the Corporation.

\_\_\_\_\_  
(Witness):



Municipality of Port Hope  
56 Queen Street  
Port Hope, Ontario  
L1A 3Z9  
905-885-4544  
Fax: 905-885-1807  
Email: [tax@porthope.ca](mailto:tax@porthope.ca)

April 26, 2019

### PROPERTY TAX ARREARS PAYMENT ARRANGEMENT

**OWNERS:** Besco International Investment **TELEPHONE #:** 604-273-7555  
**PROPERTY ADDRESS:** 414 Croft St., Port Hope, ON  
**MAILING ADDRESS:** 4611 Viking Way, Unit 120, Richmond, BC V6V 2K9  
**ROLL NUMBER:** 1423-125-020-03450  
**EMAIL ADDRESS:** n/a

I/we, the undersigned, as owner(s) of the above noted property undertake to pay the Municipality of Port Hope the balance of our existing arrears, penalties, along with any future billings and interest.

Such payments are to be made as below:

Lump sum payment of \$150,000 to clear outstanding interest upon signing.

Starting June 2019 monthly payments on or before the 15<sup>th</sup> of the month, in the amount of \$100,000 until all arrears have been paid in full.

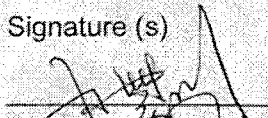
Meetings between Besco and the Municipality of Port Hope be held on or before the 30<sup>th</sup> of the month every two months or at the Municipality's request.


I/we are aware that *no payment can be missed or reduced.*

If default of payment occurs, I/we are aware that the Municipality of Port Hope will proceed *without further notice, with collection action.* I/we are aware that this may include contacting our mortgage company and/or Bailiff, or if 2 or more years in Arrears, registration of this property for Municipal Tax Sale. Once a property is registered for tax sale, the Municipality of Port Hope, no longer has the authority to accept any payments on our account, with exception of **payment in full** of all arrears, penalty/interest and associated fees for tax sale.

Signature (s)

Dated

 \_\_\_\_\_ Apr 26/19

Accepted By:  \_\_\_\_\_ Apr 26/19

Sandra Brown  
Tax and Revenue Manager  
Deputy Treasurer

**MORTGAGE LOAN AGREEMENT AMENDMENT**

**BETWEEN:**

**SUNNYWAYS INVESTMENT INC.**  
(hereinafter called the "Lender")

- and -

**BESCO INTERNATIONAL INVESTMENT CO. LTD**  
(hereinafter called the "Borrower")

**WHEREAS** the Lender and Borrower have entered into the Mortgage Loan Agreement dated March 25, 2019;

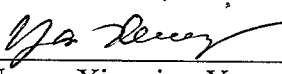
**WHEREAS** the Lender and Borrower agree to amend the said Mortgage Loan Agreement as follows:

The Lender hereby agrees to accept the Property Tax Arrears Payment Arrangement dated April 26, 2019 between the Municipality of Port Hope and Besco International Investment Co. Ltd. regarding the property tax arrears of 414 Croft Street, Port Hope, Ontario, and the property tax provisions in the said Mortgage Loan Agreement (as attached in Schedule "A") is hereby waived.

Dated at Toronto, this 29<sup>th</sup> day of April, 2019.

**SUNNYWAYS INVESTMENT INC.**


\_\_\_\_\_  
(Witness):

Per:   
Name: Xiaoning Yan  
Title: Director

I have the authority to bind the Corporation.

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

\_\_\_\_\_  
(Witness):

Per:   
Name: Huigang Sun  
Title: President

I have the authority to bind the Corporation.





Municipality of Port Hope  
56 Queen Street  
Port Hope, Ontario  
L1A 3Z9  
905-885-4544  
Fax: 905-885-1807  
Email: [tax@porthope.ca](mailto:tax@porthope.ca)

April 26, 2019

### PROPERTY TAX ARREARS PAYMENT ARRANGEMENT

**OWNERS:** Besco International Investment **TELEPHONE #:** 604-273-7555  
**PROPERTY ADDRESS:** 414 Croft St., Port Hope, ON  
**MAILING ADDRESS:** 4611 Viking Way, Unit 120, Richmond, BC V6V 2K9  
**ROLL NUMBER:** 1423-125-020-03450  
**EMAIL ADDRESS:** n/a

I/we, the undersigned, as owner(s) of the above noted property undertake to pay the Municipality of Port Hope the balance of our existing arrears, penalties, along with any future billings and interest.

Such payments are to be made as below:

Lump sum payment of \$150,000 to clear outstanding interest upon signing.

Starting June 2019 monthly payments on or before the 15<sup>th</sup> of the month, in the amount of \$100,000 until all arrears have been paid in full.

Meetings between Besco and the Municipality of Port Hope be held on or before the 30<sup>th</sup> of the month every two months or at the Municipality's request.

I/we are aware that ***no payment can be missed or reduced.***

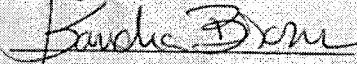
If default of payment occurs, I/we are aware that the Municipality of Port Hope will proceed ***without further notice, with collection action.*** I/we are aware that this may include contacting our mortgage company and/or Bailiff, or if 2 or more years in Arrears, registration of this property for Municipal Tax Sale. Once a property is registered for tax sale, the Municipality of Port Hope, no longer has the authority to accept any payments on our account, with exception of **payment in full** of all arrears, penalty/interest and associated fees for tax sale.

Signature (s)

Dated

  
\_\_\_\_\_ Apr 26/19

Accepted By:

  
\_\_\_\_\_ Apr 26/19

Sandra Brown  
Tax and Revenue Manager  
Deputy Treasurer

**MORTGAGE LOAN AGREEMENT AMENDMENT**

**BETWEEN:**

**YOUNG & YOUNG CAPITAL INC.**

(hereinafter called the "Lender")

- and -

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

(hereinafter called the "Borrower")

**WHEREAS** the Lender and Borrower have entered into the Mortgage Loan Agreement dated March 25, 2019;

**WHEREAS** the Lender and Borrower agree to amend the said Mortgage Loan Agreement as follows:

The Lender hereby agrees to accept the Property Tax Arrears Payment Arrangement dated April 26, 2019 between the Municipality of Port Hope and Besco International Investment Co. Ltd. regarding the property tax arrears of 414 Croft Street, Port Hope, Ontario (as attached in Schedule "A"), and the property tax provisions in the said Mortgage Loan Agreement is hereby waived.

Dated at Toronto, this 29<sup>th</sup> day of April, 2019.

**YOUNG & YOUNG CAPITAL INC.**

Per: \_\_\_\_\_

Name: Ying Yang

\_\_\_\_\_  
(Witness):

I have the authority to bind the Corporation.

**BESCO INTERNATIONAL INVESTMENT CO. LTD**

Per: \_\_\_\_\_

Name: Huigang Sun

\_\_\_\_\_  
(Witness):

I have the authority to bind the Corporation.



Municipality of Port Hope  
56 Queen Street  
Port Hope, Ontario  
L1A 3Z9  
905-885-4544  
Fax: 905-885-1807  
Email: [tax@porthope.ca](mailto:tax@porthope.ca)

April 26, 2019

### PROPERTY TAX ARREARS PAYMENT ARRANGEMENT

**OWNERS:** Besco International Investment **TELEPHONE #:** 604-273-7555  
**PROPERTY ADDRESS:** 414 Croft St., Port Hope, ON  
**MAILING ADDRESS:** 4611 Viking Way, Unit 120, Richmond, BC V6V 2K9  
**ROLL NUMBER:** 1423-125-020-03450  
**EMAIL ADDRESS:** n/a

I/we, the undersigned, as owner(s) of the above noted property undertake to pay the Municipality of Port Hope the balance of our existing arrears, penalties, along with any future billings and interest.

**Such payments are to be made as below:**

**Lump sum payment of \$150,000 to clear outstanding interest upon signing.**

**Starting June 2019 monthly payments on or before the 15<sup>th</sup> of the month, in the amount of \$100,000 until all arrears have been paid in full.**

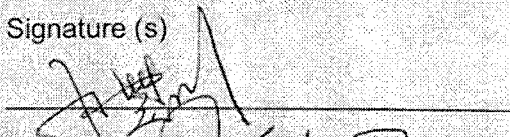
**Meetings between Besco and the Municipality of Port Hope be held on or before the 30<sup>th</sup> of the month every two months or at the Municipality's request.**

**I/we are aware that *no payment can be missed or reduced.***

If default of payment occurs, I/we are aware that the Municipality of Port Hope will proceed ***without further notice, with collection action.*** I/we are aware that this may include contacting our mortgage company and/or Bailiff, or if 2 or more years in Arrears, registration of this property for Municipal Tax Sale. Once a property is registered for tax sale, the Municipality of Port Hope, no longer has the authority to accept any payments on our account, with exception of **payment in full** of all arrears, penalty/interest and associated fees for tax sale.

Signature (s)

Dated



Apr 26/19

Accepted By



Apr 26/19

Sandra Brown  
Tax and Revenue Manager  
Deputy Treasurer

## **Appendix “I”**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

**BETWEEN:**

**WEICHANG YANG**

**APPLICANT**

**- AND -**

**BESCO INTERNATIONAL INVESTMENT CO., LTD.**

**RESPONDENT**

**AFFIDAVIT OF MITCH VININSKY**  
(Sworn May 17, 2019)

I, Mitch Vininsky, of the City of Toronto, in the Province of Ontario, MAKE OATH AND  
**SAY:**

1. I am a Managing Director of KSV Kofman Inc. ("KSV").
2. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) ("Court") made on February 13, 2019 ("Order"), KSV was appointed as receiver and manager ("Receiver") of the real property of Besco International Investment Co., Ltd. (the "Company") located at 414 Croft Street, Port Hope (the "Real Property") together with all other assets and properties of the Company acquired for, or used in relation to the Real Property, and all rents and other proceeds thereof.
3. I have managed this mandate since the date of the Order. As such, I have knowledge of the matters to which I hereinafter depose.
4. On May 17, 2019, the Receiver issued its First Report to Court in which it outlined its activities with respect to the Company and provided information with respect to its fees.

5. I hereby confirm that attached as Exhibit "A" hereto is a true copy of the account of KSV for the period indicated and confirm that this account accurately reflects the services provided by KSV in this matter and the fees and disbursements claimed by it.

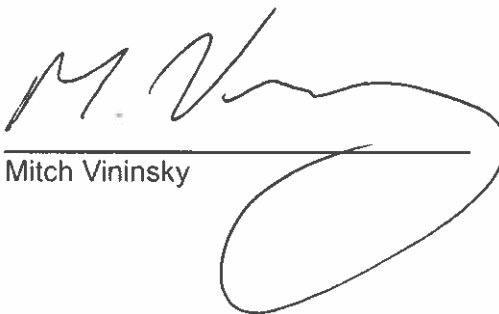
6. Additionally, attached hereto as Exhibit "B" is a summary of additional information with respect to all members of KSV who have worked on this matter, including their roles, hours and rates, and I hereby confirm that the list represents an accurate account of such information.

7. I consider the accounts to be fair and reasonable considering the circumstances connected with this administration.

8. I also confirm that the Receiver has not received, nor expects to receive, nor has the Receiver been promised any remuneration or consideration other than the amount claimed in the accounts.

**SWORN BEFORE ME** at the City of  
Toronto, on May 17, 2019.

  
A Commissioner, etc.

  
Mitch Vininsky

**Rajinder Kashyap, a Commissioner, etc.,  
Province of Ontario, for KSV Kofman Inc.  
Expires January 22, 2021.**

This is Exhibit "A" referred to in the  
affidavit of Mitch Vininsky  
sworn before me, this 17<sup>th</sup>  
day of May 2019.



.....  
A COMMISSIONER FOR TAKING AFFIDAVITS

Rajinder Kashyap, a Commissioner, C.I.C.,  
Province of Ontario, for KSV Kofman Inc.  
Expires January 22, 2021.



**ksv kofman inc.**

150 King Street West, Suite 2308  
Toronto, Ontario, M5H 1J9  
T +1 416 932 6262  
F +1 416 932 6266

ksvadvisory.com

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**INVOICE**

Besco International Investment Co., Ltd.  
c/o KSV Kofman Inc.  
150 King Street West, Suite 2308  
Toronto, ON M5H 1J9

May 16, 2019

Invoice No: 1257  
HST #: 818808768 RT0001

**Re: Besco International Investment Co., Ltd. ("the Company")**

For professional services rendered by KSV Kofman Inc. ("KSV") in its capacity as court-appointed Receiver ("Receiver") of the Company's real property located at 414 Croft Street, Port Hope (the "Real Property"), together with all other assets and properties of the Company acquired for, or used in relation to the Real Property, and all rents and other proceeds thereof (collectively, the "Property") up to April 30, 2019, including:

**General**

- Corresponding extensively with DLA Piper (Canada) LLP ("DLA"), the Receiver's counsel, Fasken Martineau DuMoullin LLP ("Fasken"), counsel to Weichang Yang, the secured creditor, and Reuters LLP ("Reuters"), the Company's counsel;
- Reviewing the application materials filed by Mr. Yang and the responding materials filed by Mr. Sun;
- Reviewing and commenting on the order of the Ontario Superior Court of Justice dated February 13, 2019 (the "Receivership Order");
- Preparing a Notice and Statement of the Receiver pursuant to Subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act*;
- Corresponding with the Company's counsel to obtain information on the Property;
- Registering a charge against the Property;
- Coordinating a site visit on March 21, 2019 with Tert & Ross Ltd., an independent contractor;
- Corresponding with representatives of the Municipality of Port Hope ("Municipality") regarding property tax arrears;
- Attending a call with Reuters and DLA on March 19, 2019 to obtain preliminary information on the Property;



- Attending at the Real Property on March 28, 2019 to tour the Property;
- Corresponding with Mr. Yang to borrow \$15,000 pursuant to a Receiver's Certificate to pay expenses associated with the Property;
- Reviewing the Company's insurance and corresponding on March 25, 2019 with S&S Insurance Services Ltd. ("S&S"), the Company's insurance broker;
- Corresponding with alternate insurance brokers to obtain a quote for property insurance;
- Attending calls on April 23, 2019 with S&S and arranging for continued insurance coverage for the Real Property;
- Preparing the first report to Court of the Receiver, in draft;

**Lease of the Property to Viceroy Houses Ltd. ("Viceroy")**

- Reviewing the lease with Viceroy and corresponding with DLA in that regard;
- Corresponding on March 22, 2019 with Viceroy regarding the appointment of the Receiver and the payment of monthly rent;
- Meeting on March 28, 2019 with representatives of Viceroy to discuss the payment of rent and Viceroy's operations at the Property;
- Reviewing and commenting on a notice of default to Viceroy dated April 4, 2019 prepared by DLA;
- Attending a call with DLA on April 4, 2019 regarding Viceroy's tenancy and next steps;
- Attending a call with DLA and Fasken on April 17, 2019 regarding the status of the tenancy and potential sale of the Property;

**Real estate broker request for proposals ("RFP")**

- Reviewing a valuation report of the Property prepared by Colliers International dated November 24, 2018;
- Preparing an RFP package for real estate brokerages ("Realtors") to act as the listing agent;
- Preparing a confidentiality agreement to be signed by interested Realtors;
- Preparing a data room for the Realtors;
- Meeting on April 2, 2019 with the Realtors at the Real Property for the purposes of touring the property and responding to their questions;
- Corresponding with the Realtors on April 5, 2019 regarding their proposals;
- Reviewing the listing proposals;
- Attending presentations on April 15, 2019 with CBRE Limited and Colliers International;

- Attending a presentation on April 18, 2019 with Avison Young;
- Preparing a draft listing agreement;

**Refinancing**

- Corresponding with Reuters regarding Andrew Sun's refinancing efforts, including the repayment plan with the Municipality and the conditions for the Receiver's discharge;
- Corresponding extensively with Mr. Sun's mortgage brokers and legal representatives regarding a refinancing;
- Attending a call on April 17, 2019 with DLA regarding DLA's discussion with the Municipality of the property tax arrears and the proposed refinancing;
- Corresponding on April 22, 2019 with DLA and Fasken regarding Mr. Sun's refinancing and the proposed agreement with the Municipality;
- Reviewing three loan agreements ("Agreements") provided by Reuters on April 23, 2019 regarding the proposed refinancing of the Property;
- Attending calls with DLA on April 24, 2019 regarding the Agreements;
- Reviewing DLA's letter to Reuters on April 26, 2019 ("April 26<sup>th</sup> Letter") regarding, among other things, the Receiver's intention to seek approval of a sales process;
- Reviewing Reuters' response to the April 26<sup>th</sup> Letter;

**Other**

- To all other meetings, correspondence, etc. pertaining to this matter.

Total fees	\$ 54,831.25
Disbursements	414.97
HST	7,182.01
Total	<u>\$ 62,428.23</u>

KSV Kofman Inc.  
Besco International Investment Co., Ltd.


**Time Summary**

For the Period February 8, 2019 to April 30, 2019

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<b>Personnel</b>	<b>Rate (\$)</b>	<b>Hours</b>	<b>Amount (\$)</b>
Mitch Vininsky	625	61.20	38,250.00
Jordan Wong	425	37.25	15,831.25
Other staff and administration		4.40	750.00
Total Fees			<u>54,831.25</u>
Out of pocket disbursements			414.97
Total Fees and Disbursements			<u><u>55,246.22</u></u>

This is Exhibit "B" referred to in the  
affidavit of Mitch Vininsky  
sworn before me, this 17<sup>th</sup>  
day of May 2019.

  
A COMMISSIONER FOR TAKING AFFIDAVITS

Rajinder Kashyap, a Commissioner, C.G.,  
Province of Ontario, for KSV Kofman Inc.  
Expires January 22, 2021.

**Besco International Investment Co., Ltd.**  
**Schedule of Professionals' Time and Rates**  
For the Period of February 8, 2019 to April 30, 2019

---

<u>Name</u>	<u>Role</u>	<u>Billing Rate</u> <u>(Per Hour)</u>
Mitch Vininsky	File management	\$ 625
Jordan Wong	RFP process, site attendance	\$ 425
Other staff and administrative		\$ 170
Total hours		103
Total fees		\$ 54,831
Average hourly rate		\$ 533

## **Appendix “J”**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

BETWEEN:

**WEICHANG YANG**

Applicant

and

**BESCO INTERNATIONAL INVESTMENT CO., LTD.**

Respondent

APPLICATION UNDER Section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c B-3, as amended, and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c C.43, as amended

**FEE AFFIDAVIT OF EDMOND F.B. LAMEK  
(Sworn May 17, 2019)**

I, EDMOND F. B. LAMEK, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am a partner in the law firm of DLA Piper (Canada) LLP (“DLA”), the lawyers to KSV Kofman Inc. in its capacity as Court appointed receiver and manager (the “Receiver”) of certain real property and related assets of the Respondent as set out in the Order of this Honourable Court made February 13, 2019. As such, I have knowledge of matters hereinafter deposed to.
2. Attached hereto as Exhibit “A” is a copy of the Statement of Account of DLA in respect of services rendered to the Receiver for the period from February 11, 2019 to April 30, 2019 (the “Billing Period”). During the Billing Period, the total fees billed by DLA were \$33,329.50, plus disbursements of \$260.69 and applicable taxes of \$4,351.77.


3. As set out in the following table, 42.5 hours were billed by DLA personnel during the Billing Period, resulting in an average hourly rate of \$784 (exclusive of applicable taxes):

Professional	Hours	Rate/Hr.
Edmond Lamek	25.7	\$895
Jeffrey Citron	.3	\$800
Danny Nunes	10.2	\$695
Brendan Clancy	4.0	\$550
<i>Paralegals/Clerks</i>		
Rose Meffe	.4	\$475
Kelly Chapman	.4	\$360
Dyhaine Myrie	1.5	\$310
<b>TOTAL</b>	<b>42.5</b>	<b>Avg. Rate/Hr: \$784</b>

4. The activities detailed in the Statement of Account attached as Exhibit "A" accurately reflect the services provided by DLA and the rates charged are the standard hourly rates of those individuals at DLA at the time they were incurred.

5. I swear this affidavit in support of a motion for, *inter alia*, approval of the fees and disbursements of DLA set out above and for no other or improper purpose.

Sworn before me at the )  
City of Toronto, in the )  
Province of Ontario, this )  
17th day of May, 2019. )

  
A Commissioner for taking affidavits, etc. )

DANNY NUNES



EDMOND F.B. LAMEK





DLA Piper (Canada) LLP  
 Suite 6000, 1 First Canadian Place  
 PO Box 367, 100 King St W  
 Toronto ON M5X 1E2  
 www.dlapiper.com  
 T 416.365.3500  
 F 416.365.7886

KSV Advisory Inc.  
 Private and Confidential  
 150 King St. W.  
 Suite 2308 Box 42  
 Toronto, ON M5H 1J9 Canada

This is Exhibit <sup>A</sup> referred to in the  
 affidavit of EDMOND LAMEK  
 sworn before me, this 17<sup>th</sup>  
 day of MAY 2019

Attention: Mitch Vininsky

A COMMISSIONER FOR TAKING AFFIDAVITS  
 DANNY NUNES

Our File No: 038697-00002

KSV Advisory Inc.

Re: Receivership of Besco International Investment Co., Ltd. Date: May 16, 2019  
 Invoice Number: 1865260

For Professional Services rendered and disbursements advanced through April 30, 2019.

**PROFESSIONAL SERVICES**

<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
02/11/19	Edmond Lamek	Emails with M. Vininsky regarding Receivership Order terms and process going forward; reviewing application record;	0.60	537.00
02/13/19	Edmond Lamek	Emails with M. Vininsky and D. Chochla regarding steps during 30 day stay period;	0.30	268.50
02/14/19	Edmond Lamek	Discussion with M. Vininsky and email exchange with D. Chochla regarding effect of stay of Receivership Order;	0.50	447.50
03/15/19	Danny Nunes	Correspondence with E. Lamek regarding status of receivership;	0.20	139.00
03/18/19	Danny Nunes	Review correspondence from D. Chochla attaching reissued receivership order; review correspondence from M. Vininsky to debtor's counsel regarding information needed regarding property and call to discuss same;	0.30	208.50
03/19/19	Danny Nunes	Call with M. Vininsky and debtor's counsel; review correspondence from S. Erskine and M. Vininsky regarding information requested on property;	0.60	417.00
03/20/19	Danny Nunes	Correspondence with K. Chapman regarding real property PIN search and review same; correspondence with M. Vininsky regarding same and Viceroy NOI proceedings; correspondence with M. Vininsky regarding searches; review correspondence from M. Vininsky attaching lease agreement and review same;	0.90	625.50
03/20/19	Kelly Chapman	Obtaining parcel register and title document for D. Nunes;	0.20	72.00



<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
03/21/19	Danny Nunes	Review PPSA searches and send results to M. Vininsky and J. Wong; review correspondence from M. Vininsky and S. Erskine regarding information requested; review draft correspondence from J. Wong to Viceroy Houses; correspondence with M. Vininsky regarding notice to Viceroy Houses regarding payment of rent and attendance at premises;	1.10	764.50
03/22/19	Danny Nunes	Review correspondence from S. Erskine and M. Vininsky regarding information requested by receiver regarding property;	0.40	278.00
03/25/19	Danny Nunes	Review correspondence from M. Vininsky regarding receiver's activities since appointment;	0.10	69.50
03/26/19	Danny Nunes	Review correspondence regarding registration of receivership order on title; review correspondence from M. Vininsky and S. Erskine regarding information requested on property and potential refinancing;	0.90	625.50
03/26/19	Dyhaine L. Myrie	Request received from E. Lamek to sub search and prepare Application to Register Court Order;	1.00	310.00
03/27/19	Dyhaine L. Myrie	Attending to registration of Application to Register Court Order appointing receiver and manager;	0.50	155.00
03/27/19	Kelly Chapman	Corresponding with D. Myrie re ordering tax certificate to confirm arrears; reviewing correspondence from Municipality of Port Hope;	0.20	72.00
03/27/19	Edmond Lamek	Calls and emails with M. Vininsky; emails with D. Chochla; calls and letter from P. Tan all re redemption and associated issues;	1.40	1,253.00
03/27/19	Danny Nunes	Review correspondence regarding registration of receivership order; review correspondence regarding tax arrears;	0.30	208.50
03/27/19	Jeffrey M. Citron	Review court order and attend to registration of Consent Order;	0.30	240.00
03/28/19	Danny Nunes	Review correspondence from E. Lamek regarding call with P. Tan about potential refinancing; review correspondence from D. Chochla attaching notice of appearance for Wiston receiver; review prior factum relating to receivership mortgage redemption rights;	0.80	556.00
03/28/19	Edmond	Emails with M. Vininsky and D. Chochla; call with P. Tan re property taxes; emails with D.	1.30	1,163.50



<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
	Lamek	Chochla; email with lawyers for receiver of Wiston Int'l Trade;		
03/29/19	Edmond Lamek	Various email exchanges regarding P. Tan funding; Wiston claim; access to building; reviewing lease;	1.50	1,342.50
04/01/19	Danny Nunes	Review correspondence from S. Erskine regarding payout letter;	0.10	69.50
04/01/19	Edmond Lamek	Call and subsequent emails with counsel to Besco regarding Administrative Holdback and procedure for obtaining the Receiver's discharge; emails with M. Vininsky re same;	0.60	537.00
04/01/19	Edmond Lamek	Dealing with Wiston Receiver's request to lift stay; emails with TGF, KSV and Faskens re same;	0.70	626.50
04/02/19	Danny Nunes	Correspondence with M. Vininsky regarding access to property; draft correspondence regarding rent default; correspondence with K. Emamian regarding same;	0.30	208.50
04/02/19	Brendan J. Clancy	Reviewing lease with a view to preparing draft termination letter;	0.40	220.00
04/02/19	Edmond Lamek	Emails regarding receivership funding; emails regarding lease enforcement against Viceroy Houses;	1.60	1,432.00
04/03/19	Edmond Lamek	Discussion with Brendan Clancy, email exchanges with him and KSV regarding lease defaults and Landlord remedies available to Besco;	0.80	716.00
04/03/19	Brendan J. Clancy	Engaging in discussion with E. Larek re drafting a notice of default to Viceroy; reviewing lease and provisions of the Commercial Tenancies Act with a view to drafting such letter; sending draft letter to E. Larek and client for review and comment; reviewing email from client re Viceroy's non-payment of insurance; re-drafting letter to Viceroy to claim a further event of default for non-payment of insurance; sending email to client seeking particulars of the insurance paid by the receiver on Viceroy's behalf;	1.90	1,045.00
04/04/19	Brendan J. Clancy	Reviewing client email re receiver's payment of insurance; reviewing lease to determine which insurance landlord was to pay, and which insurance tenant was to pay; reviewing financial numbers to determine which insurance premium was properly attributable to Viceroy; sending email re all of the above to	1.20	660.00



<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
		client to seek clarification;		
04/04/19	Edmond Lamek	Calls and emails throughout the day regarding proposed redemption, conditions of a discharge motion, Viceroy tenancy defaults;	2.00	1,790.00
04/05/19	Edmond Lamek	Email with Municipality of Port Hope taxation department; emails with KSV and D. Chochla re same;	1.50	1,342.50
04/05/19	Danny Nunes	Review correspondence from E. Lamek to D. Baxter regarding property tax arrears;	0.10	69.50
04/08/19	Edmond Lamek	Emails re payout status and city position on tax arrears and related matters;	0.50	447.50
04/11/19	Rose Meffe	Receiving email from E. Lamek requesting Ontario and BC PPSA searches; exchanging emails with E. Lamek re Ontario search; attending to order Ontario and BC PPSA searches; attending to retrieve BC PPSA Search and sending email to E. Lamek with same;	0.40	190.00
04/11/19	Danny Nunes	Review correspondence regarding communication with P. Tan about possible refinancing; review correspondence regarding Viceroy Houses potential receivership; review correspondence regarding request for books and records;	0.50	347.50
04/11/19	Edmond Lamek	Call with P. Tan re alleged funding and conditions of seeking the Receiver's discharge; call and emails with D. Baxter of City of Port Hope; call with M. Vininsky re the foregoing; emails with Fasken's re same;	1.80	1,611.00
04/12/19	Danny Nunes	Review correspondence regarding possible Viceroy Houses receivership; review correspondence regarding potential refinancing;	0.30	208.50
04/12/19	Edmond Lamek	Calls and emails regarding P. Tan and his latest funding situation. emails with D. Baxter and D. Chochla; emails with M. Vininsky;	1.20	1,074.00
04/12/19	Brendan J. Clancy	Engaging in discussion with Y. Tan re delaying the eviction of Viceroy; sending email re same to E. Lamek; engaging in discussion with E. Lamek re same; sending email to Y. Tan that the receiver is expecting payment of rent;	0.50	275.00
04/15/19	Edmond Lamek	Telephone discussion with P. Tan re financing from China and position of the City of Port Hope re not getting paid in full; email with M. Vininsky and D. Chochla re same;	0.80	716.00



<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
04/16/19	Edmond Lamek	Emails with KSV regarding rent and remedies under the Viceroy Lease; subsequent emails re more requests for pay out statements from non debtor people;	0.60	537.00
04/16/19	Danny Nunes	Review correspondence regarding receiver's request for books and records;	0.20	139.00
04/17/19	Danny Nunes	Review correspondence from E. Lamek regarding tax arrears and potential refinancing; review financial statements;	0.30	208.50
04/17/19	Edmond Lamek	Email exchange and update call with D. Chochla. emails re rent and financial statements regarding receipt of rent from Viceroy (or not);	0.80	716.00
04/18/19	Edmond Lamek	Telephone discussion with D. Baxter of Port Hope re P. Tan and Mt Sun meeting; emails with Rutters and KSV; Besco Financial documents and rent payment issues;	1.00	895.00
04/22/19	Edmond Lamek	Email exchanges with M. Vininsky, D. Chochla, S. Erskine re next steps in receivership and setting deadlines and conditions;	0.60	537.00
04/22/19	Danny Nunes	Review correspondence from E. Lamek regarding discussion with D. Baxter; review correspondence from E. Lamek regarding mortgage financing agreements;	0.20	139.00
04/23/19	Danny Nunes	Review correspondence from M. Vininsky, E. Lamek and S. Erskine regarding information requests; review correspondence from M. Vininsky and E. Lamek regarding mortgage refinancing agreements;	0.40	278.00
04/23/19	Edmond Lamek	Emails with M. Vininsky and D. Chochla regarding remedies against Viceroy;	0.40	358.00
04/23/19	Edmond Lamek	Reviewing refinancing mortgages provided by Besco's counsel; emails with M. Vininsky and D. Nunes re same;	0.70	626.50
04/24/19	Edmond Lamek	Email with M. Vininsky regarding conflicting mortgage terms and proposed Port Hope deal; working on draft letter to S. Erskine re same;	0.70	626.50
04/24/19	Danny Nunes	Review correspondence from E. Lamek attaching mortgage refinancing agreements and review same;	0.30	208.50
04/25/19	Danny Nunes	Attend conference call with E. Lamek and M. Vininsky to discuss mortgage refinancing agreements; draft correspondence to S. Erskine regarding same and sale process	1.10	764.50



<u>Date</u>	<u>Professional</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
		approval motion; correspondence with E. Lamek, M. Vininsky and D. Chochla regarding same;		
04/25/19	Edmond Lamek	Emails with M. Vininsky and D. Chochla regarding letter to S. Erskine regarding mortgage financing terms and O/S property taxes;	0.50	447.50
04/26/19	Danny Nunes	Correspondence to S. Erskine regarding mortgage refinancing transactions and sales process approval motion;	0.10	69.50
04/26/19	Edmond Lamek	Calls and emails with City of Port Hope and M. Vininsky;	0.60	537.00
04/29/19	Danny Nunes	Review correspondence from E. Lamek and D. Chochla regarding refinancing; review correspondence from S. Erskine regarding tax payment agreement with Port Hope; correspondence with E. Lamek and D. Chochla regarding same;	0.50	347.50
04/29/19	Edmond Lamek	Email exchange and call with D. Baxter of Port Hope; emails and call with M. Vininsky re next steps with S. Erskine and motion to Court; emails with D. Nunes re Sara's communications;	1.20	1,074.00
04/30/19	Danny Nunes	Review correspondence from S. Erskine regarding amendment to loan mortgage agreements; correspondence to E. Lamek regarding same;	0.20	139.00
04/30/19	Edmond Lamek	Reviewing first draft of Receiver's First Report to Court; emails with J. Wong and D. Baxter; call and emails with S. Erskine re process and procedure on motion;	1.50	1,342.50
<b>Total Taxable Hours and Fees:</b>			<b>42.50 \$</b>	<b>33,329.50</b>

**PROFESSIONAL SERVICES SUMMARY**

<u>Professional</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Amount</u>
Edmond Lamek	Partner	895.00	25.70	23,001.50
Jeffrey M. Citron	Partner	800.00	0.30	240.00
Brendan J. Clancy	Associate	550.00	4.00	2,200.00
Danny Nunes	Counsel/Contract	695.00	10.20	7,089.00
Dyhaine L. Myrie	Paralegal	310.00	1.50	465.00
Kelly Chapman	Paralegal	360.00	0.40	144.00



<u>Professional</u>	<u>Title</u>	<u>Rate</u>	<u>Hours</u>	<u>Amount</u>
Rose Meffe	Paralegal	475.00	0.40	190.00
<b>Total Fees:</b>			<b>\$</b>	<b>33,329.50</b>

**DISBURSEMENTS**

Non-Taxable Disbursements

Description

Search Fee	33.00
Non-taxable portion of the Teraview parcel	19.30
Non-taxable portion of the Teranet registration	64.40
<b>Total Non-Taxable Disbursements:</b>	<b>\$ 116.70</b>

Taxable Disbursements

Description

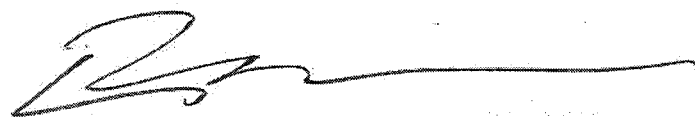
Courier	27.38
Search Fee	57.86
Taxable portion of the Teraview parcel register	45.00
Taxable portion of the Teranet registration fee	10.75
Taxable portion of the Teraview - Image Download	3.00
<b>Total Taxable Disbursements:</b>	<b>\$ 143.99</b>

**BILL SUMMARY**

	Our Fees:	\$	33,329.50
	Total Disbursements:	\$	260.69
REG # 110 152 824	Total HST:	\$	4,351.58
	<b>Total Current Invoice Due:</b>	<b>CAD \$</b>	<b>37,941.77</b>

This is our account.

**DLA Piper (Canada) LLP**

Per:   
 Edmond Lamek

*Please note that this account is payable on receipt. If not paid within 30 days from the invoice date, interest at the rate of prime plus 2% per annum will be charged from the invoice date.*