

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

BETWEEN:

**BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.**

Applicant

- and -

**3886727 CANADA INC.,  
carrying on business as Holistic Blend**

Respondent

APPLICATION UNDER SUBSECTION 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

**APPLICATION RECORD**  
(re appointment of Receiver)  
(returnable June 12, 2019)

May 30, 2019

**CHAITONS LLP**  
5000 Yonge Street, 10th Floor  
Toronto, Ontario M2N 7E9

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**Sam Rappos (LSO No. 51399S)**  
Tel: (416) 218-1137  
Fax: (416) 218-1837  
E-mail: samr@chaitons.com

**Lawyers for the Applicant**

**SERVICE LIST**

<p><b>MACDONALD SAGER MANIS LLP</b>  150 York Street, Suite 800  Toronto, ON M5H 3S5</p> <p><b>Howard Manis and Lauren Sigal</b>  Tel: (416) 364-5289 / 361-2628  Fax: (416) 364-1453  E-mail: hmanis@msmlaw.net and  LSigal@msmlaw.net</p> <p><b>Lawyers for the Respondent</b></p>	<p><b>KSV KOFMAN INC.</b>  150 King Street West, Suite 2308  Toronto, ON M5H 1J9</p> <p><b>Noah Goldstein</b>  Tel: (416) 932-6207  Fax: (416) 932-6266  E-mail: ngoldstein@ksvadvisory.com</p> <p><b>Proposed Receiver</b></p>
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<p><b>PPN LIMITED PARTNERSHIP</b>  435 - 44550 South Sumas Road  Chilliwack, BC V2R 5M3</p>	

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
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BETWEEN:

**BRIDGING INCOME FUND LP,  
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- and -

**3886727 CANADA INC.,  
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APPLICATION UNDER SUBSECTION 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

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CV-19-00620981-002  
Court File No.

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

**BETWEEN:**

**BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.**

**Applicant**

- and -

**3886727 CANADA INC.,  
carrying on business as Holistic Blend**

**Respondent**

APPLICATION UNDER SUBSECTION 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

**NOTICE OF APPLICATION**

**TO THE RESPONDENT**

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing on Wednesday, June 12, 2019, at 10:00 a.m., before a Judge presiding over the Commercial List at 330 University Avenue, 8th Floor, Toronto, Ontario M5G 1R7.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does

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not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

**IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

Date May 30, 2019

Issued by

Alexandra Mendes Cardoso  
Registrar, Superior Court of JusticeAddress of  
court office:Superior Court of Justice  
330 University Avenue, 7th Floor  
Toronto, Ontario M5G 1R7

TO: 3886727 CANADA INC.,  
carrying on business as Holistic Blend  
c/o Macdonald Sager Manis LLP  
Barristers & Solicitors  
150 York Street, Suite 800  
Toronto, Ontario M5H 3S5

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**APPLICATION**

1. The Applicant, Bridging Income Fund LP, by its general partner SB Fund GP Inc. ("BIF"), makes application for:
  - (a) an order appointing KSV Kofman Inc. ("KSV") as receiver ("Receiver") of the property, assets and undertaking of 3886727 Canada Inc., carrying on business as Holistic Blend (the "Debtor") pursuant to Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3 (the "BIA"), and Section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 (the "CJA"); and
  - (b) such further and other relief as this Honourable Court may deem just.
  
2. The grounds for the application are:

**The Parties**

- (a) The Debtor is an Ontario corporation that carries on business as a manufacturer of natural organic pet food and pet health care products from leased premises located in Mississauga.
- (b) The Debtor has approximately non-unionized fifteen (15) employees, and there is no employer-sponsored pension plan.
- (c) BIF is a retail investment vehicle that provides middle-market Canadian companies with alternative financing options to those offered by traditional lenders.



**Relationship with Bridging**

- (d) On May 24, 2015, BIF and Holistic Blend entered into a term sheet (the "Term Sheet"), pursuant to which BIF agreed to offer financing of up to \$1.0 million to the Debtor by the purchase of accounts receivable, the granting of demand loans and the guaranteeing of letters of credit.
- (e) On June 19, 2015, BIF and the Debtor entered into a master factoring agreement dated June 19, 2015 (the "Factoring Agreement"), which established a factoring facility by which the Debtor could assign and sell to BIF, and BIF could accept and purchase from the Debtor, the Debtor's accounts receivable.
- (f) BIF also advanced a \$350,000 demand loan to the Debtor pursuant to the Term Sheet, which was evidenced by a demand grid promissory note dated June 19, 2015 (the "Note").
- (g) As security for payment of all indebtedness and the performance of all its obligations under the Term Sheet, the Factoring Agreement and the Note, the Debtor granted a general security agreement dated June 19, 2015 in favour of BIF (the "GSA").
- (h) Pursuant to section 12(a) of the GSA, upon the occurrence of an event of default, BIF may appoint a receiver over the property and assets of the Debtor.

**Financial Difficulties**

- (i) Within the first year following the commencement of the relationship, BIF and the Debtor determined that it would be beneficial to move away from a factoring

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facility to a funding arrangement whereby the Debtor would provide a list of payables to BIF and request funding for those payables, and would provide a listing of the amounts it expected to collect. BIF would provide funding for the payables and the collected amounts were to be deposited into the Debtor's blocked account with Bank of Montreal ("BMO").

- (j) At the time when the new funding arrangement commenced in May 2016, the Debtor owed BIF approximately \$1.35 million.
- (k) Since that time, Holistic Blend has routinely been unable to fund payroll, rent and production. However, based on the promise of significant sales growth, BIF has supported Holistic Blend by providing funding to cover payroll, rent and production, notwithstanding that the Debtor's indebtedness to BIF continued to grow as the funding provided exceeded the amounts collected by the Debtor and paid to BIF.
- (l) The most recent balance sheets and profit and loss statements provided by the Debtor to BIF show that the Debtor is insolvent on a balance sheet and cash flow basis.
- (m) On May 14, 2019, Holistic Blend advised BIF that it would stop selling pet food and would be focussing on pet health supplements only.
- (n) On May 17, 2019, BIF informed the Debtor that it would be funding outstanding payroll. However, the principal of the Debtor advised that she told her staff that the Debtor had no funds to pay them, and that she was going to return the funds that

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had been sent to cover payroll to BIF. To date, the Debtor has not returned the payroll funding to BIF.

#### **Demand**

- (o) On May 17, 2019, BIF demanded payment from the Debtor in the amount of \$2,360,544.25 for principal, interest and fees, plus costs and delivered its notice to enforce its security under the BIA.
- (p) On May 25, 2019, BMO demanded payment from the Debtor in the amount of \$806,979.65 inclusive of principal and interest, plus costs, and delivered its own BIA notice to the Debtor.
- (q) To date, BIF has received no payments from the Debtor in response to the demand for payment.

#### **Just and Convenient to Appoint a Receiver**

- (r) BIF has demanded payment from the Debtor and has sent a BIA notice, but has received no payment in response to the demand and notice. The Debtor has agreed to BIF appointment a receiver in the circumstances under the GSA.
- (s) The Debtor owes BIF and BMO collectively in excess of \$3.1 million. The Debtor has almost \$750,000 in other known liabilities, has unpaid judgment creditors, and is generating negative net income.
- (t) BIF has lost all faith in the principal's ability to manage the Debtor's business.

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- (u) It is in the best interests of BIF and the Debtor's creditors generally that a Receiver be appointed to take control over and realize on the Property for the benefit of all of the Debtor's stakeholders.
- (v) It is just and convenient in the circumstances to appoint a Receiver.
- (w) BIF proposes that KSV be appointed as Receiver. KSV has agreed to accept the appointment.

**Statutory and Other Grounds**

- (a) Section 243 of the BIA, and Section 101 of the CJA.
  - (b) Rules 1.04(1), 1.05, 2.01, 2.03, 3.02, and 38 of the *Rules of Civil Procedure*.
  - (c) Such further and other grounds as the lawyers may advise.
3. The following documentary evidence will be used at the hearing of the application:
- (a) the Affidavit of Brian Champ sworn May 30, 2019 and the exhibits thereto; and
  - (b) such further and other evidence as the lawyers may advise and this Honourable Court may permit.

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May 30, 2019

**CHAITONS LLP**  
5000 Yonge Street, 10th Floor  
Toronto, Ontario M2N 7E9

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E-mail: samr@chaitons.com

**Lawyers for the Applicant**

BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.

Applicant

-and-

3886727 CANADA INC.,  
carrying on business as Holistic Blend

Respondent  
CV-19-00620 961-03CL  
Court File No.

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
PROCEEDING COMMENCED AT  
TORONTO

**NOTICE OF APPLICATION**

**CHATTONS LLP**  
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Toronto, Ontario M2N 7E9

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E-mail: samr@chaitons.com

Lawyers for the Applicant

# Tab 2

Court File No.

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

BETWEEN:

**BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.**

Applicant

- and -

**3886727 CANADA INC.,  
carrying on business as HOLISTIC BLEND**

Respondent

APPLICATION UNDER SUBSECTION 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

**AFFIDAVIT OF BRIAN CHAMP  
(sworn May 30, 2019)**

I, BRIAN CHAMP, of the Town of Whitchurch-Stouffville, in the Province of Ontario,  
MAKE OATH AND SAY AS FOLLOWS:

1. I am a portfolio manager with Bridging Finance Inc. (the "Agent"). The Agent is the manager of the Applicant, Bridging Income Fund LP (formerly known as Sprott Bridging Income Fund LP) ("BIF"). The facts set forth herein are within my personal knowledge or determined from the face of the documents attached hereto as exhibits and from information and advice provided to me by third parties. Where I have relied upon such information and advice, I have identified the sources of the information and advice and I verily believe same to be true.



2. This affidavit is sworn in support of the application by BIF for the appointment of KSV Kofman Inc. ("KSV") as receiver (the "Receiver") of the property, assets and undertakings of the Respondent, 3886727 Canada Inc. carrying on business as Holistic Blend ("Holistic Blend" or the "Debtor") pursuant to section 243 of the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") and section 101 of the *Courts of Justice Act* (Ontario).

### THE PARTIES

3. BIF is an Ontario limited partnership established in November 2013. BIF is a retail investment vehicle whose limited partnership units are available to accredited investors by way of private placement. SB Fund GP Inc. is the general partner of BIF, and the Agent is the manager of BIF. BIF and the Agent provide middle-market Canadian companies with alternative financing options to those offered by traditional lenders.

4. Holistic Blend is a corporation incorporated pursuant to the laws of Canada and has its registered office in Mississauga. The sole director and officer of Holistic Blend is Debbie Pelczynski. A copy of the Corporations Canada report for Holistic Blend is attached hereto and marked as Exhibit "A".

5. Holistic Blend carries on business as a manufacturer of natural organic pet food and pet health care products. It operates from leased premises in Mississauga, and its products are sold by a number of storefront and online retailers in Canada.

6. Based on my discussions with Ms. Pelczynski, I understand that the Debtor has approximately fifteen (15) employees. The employees are non-unionized, and there is no employer-sponsored pension plan.

**RELATIONSHIP WITH BRIDGING**

7. On May 24, 2015, BIF and Holistic Blend entered into a term sheet (the “**Term Sheet**”), pursuant to which BIF agreed to offer financing of up to \$1.0 million to Holistic Blend by the purchase of accounts receivable, the granting of demand loans and the guaranteeing of letters of credit. A copy of the Term Sheet is attached hereto and marked as **Exhibit “B”**.

8. As BIF is not a deposit taking institution, a blocked account agreement was entered into between BIF, Holistic Blend and Bank of Montreal (“**BMO**”) dated May 27, 2015 (the “**Blocked Account Agreement**”). In connection with the Blocked Account Agreement, the Debtor opened up with BMO a blocked account for depositing receivables, and a disbursement account. A copy of the Blocked Account Agreement is attached hereto and marked as **Exhibit “C”**.

9. Pursuant to the Term Sheet, BIF and Holistic Blend entered into a master factoring agreement dated June 19, 2015 (the “**Factoring Agreement**”). Under the Factoring Agreement, BIF established a factoring facility by which Holistic Blend could assign and sell to BIF, and BIF could accept and purchase from Holistic Blend, Holistic Blend’s accounts receivable. A copy of the Factoring Agreement is attached hereto and marked as **Exhibit “D”**.

10. BIF also advanced a \$350,000 demand loan to Holistic Blend pursuant to the Term Sheet, which was evidenced by a demand promissory note dated June 19, 2015 (the “**Note**”). A copy of the Note is attached hereto and marked as **Exhibit “E”**.

11. As security for payment of all indebtedness and the performance of all its obligations under the Term Sheet, the Factoring Agreement and the Note, Holistic Blend granted a general security agreement dated June 19, 2015 in favour of BIF (the “**GSA**”). A copy of the GSA is attached hereto and marked as **Exhibit “F”**.

12. Pursuant to section 12(a) of the GSA, upon the occurrence of an event of default, BIF may appoint a receiver over the property and assets of the Debtor.

13. On June 4, 2015, BIF registered a financing statement against Holistic Blend under the *Personal Property Security Act (Ontario)* (the "PPSA") against all of Holistic Blend's personal property (other than consumer goods).

## **OTHER CREDITORS**

### **Secured Creditors**

14. I am advised by Sam Rappos of Chaitons LLP, BIF's lawyers with respect to this proceeding, that, in addition to BIF's registration, there are financing statements registered under the PPSA against Holistic Blend in favour of PPN Limited Partnership ("PPN") and Bank of Montreal ("BMO"). Attached hereto and marked as Exhibit "G" is a copy of a PPSA verbal search result for Holistic Blend current as of May 27, 2019 (the "PPSA Search").

15. As shown in the PPSA Search, PPN registered its financing statement in 2012, prior to BIF's registration. However, PPN subordinated its security interest in favour of BIF, which is reflected in the PPSA Search and is evidenced by a personal property subordination dated June 15, 2015 granted by PPN in favour of BIF, a copy of which is attached hereto and marked as Exhibit "H".

16. The PPSA registration in favour of BMO was registered in May 2016. I have been advised by Mimi Dato, Director, Treasury & Payment Solutions with BMO, that, as a result of a clerical error, Holistic Blend's disbursement account with BMO was permitted to have overdrafts. As of May 30, 2016, the overdraft exceeded \$650,000. Holistic Blend agreed to repay this amount and granted a general security agreement in favour of BMO to secure repayment.

### Other Creditors

17. Based on a review of the Debtor's most recent balance sheet as of May 31, 2019, in addition to the amounts owed to BIF and BMO, the Debtor had liabilities of \$714,664.21.

18. I am advised by Mr. Rappos that Workplace Safety and Insurance Board has obtained judgment against the Debtor in the amount of \$24,635.05., and 407 ETR Concession Company Limited has obtained judgment against the Debtor in the amount of \$8,735.58 plus costs of \$1,990.25. Both parties have registered a writ against the Debtor in Peel Region. It is not known whether these amounts have been repaid or are included in the liabilities listed in the Debtor's balance sheet.

19. In terms of governmental remittances, the Debtor most recently provided to BIF a notice of assessment for March 2019 which showed that the Debtor was entitled to an HST refund of \$14,216.94 from Canada Revenue Agency ("CRA") for that month. BIF has no information as to whether the Debtor is current in its HST remittances for any other month, or whether it owes any amount to CRA with respect to source deductions.

### **FINANCIAL DIFFICULTIES**

20. As noted above, the relationship between BIF and Holistic Blend commenced in May / June 2015 with a factoring facility and a demand loan. By October 2015, Holistic Blend's account with BIF was in an over advance position due to several funded invoices being unpaid.

21. BIF worked with Holistic Blend to assist it in keeping the business operating, which included moving away from a factoring facility to a funding arrangement whereby the Debtor would provide a list of payables to BIF and request funding for those payables, and would provide a listing of the amounts it expected to collect. BIF would provide funding for the payables and the

- 6 -

collected amounts were to be deposited into the Debtor's blocked account with BMO. At the time when the new funding arrangement commenced in May 2016, the Debtor owed BIF approximately \$1.35 million.

22. However, since that time, Holistic Blend has frequently sent out payments to suppliers and other parties that were not on the list of payables provided to BIF and funded, which resulted in many of the payments being returned NSF.

23. Since May 2018, Holistic Blend's financial difficulties have continued, which has resulted in its inability to fund payroll, rent and production. However, based on the promise of significant sales growth with a distribution agreement with UNFI Canada and sales into China, BIF has supported Holistic Blend by providing funding to cover payroll, rent and production, notwithstanding that the Debtor's indebtedness to BIF continued to grow as the funding provided exceeded the amounts collected by the Debtor and paid to BIF.

24. Despite the promises of new sales contracts with foreign companies, new sales have not materialized for Holistic Blend. In late 2018, BIF was advised by Ms. Pelczynski that a small private equity fund was entering into due diligence to acquire the Debtor. This was seen as a positive development, and BIF was originally informed that the transaction was to be completed by end of April 2019. However, in March and April 2019, it became clear that the private equity firm would not meet the proposed timeline and may not be proceeding with the acquisition.

25. As part of its relationship with BIF, the Debtor was required to provide various financial reporting to BIF, which included balance sheets prepared by the Debtor. The most recent balance sheets for the Debtor are as of January 31, 2019 and March 31, 2019, which both show that the

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amount of the liabilities of the Debtor far exceed the amount of the Debtor's assets. Collectively attached hereto and marked as **Exhibit "I"** are copies of the balance sheets.

26. The Debtor also provided to BIF a profit and loss statement for the period of October 1, 2018 to March 31, 2019, which showed that the Debtor had negative net ordinary income of \$18,158.05 for that six (6) month period. A copy of the statement is attached hereto and marked as **Exhibit "J"**.

27. On May 14, 2019, Holistic Blend advised BIF that it would stop selling pet food and would be focussing on pet health supplements only.

#### **DEMAND**

28. On May 17, 2019, BIF issued a written demand for payment to the Debtor in the amount of \$2,360,544.25 for principal, interest and fees, plus costs, and delivered its notice to enforce its security under the BIA. A copy of the demand letter and BIA notice is attached hereto and marked as **Exhibit "K"**.

29. On May 17, 2019, BIF informed the Debtor by email that it would be funding the outstanding payroll. Ms. Pelczynski advised BIF by reply email that she told her staff the Debtor had no funds to pay them, and that she was going to return the funds that had been sent to cover payroll to BIF. She asked that BIF no longer fund payroll. As of the date of the swearing of this affidavit, the Debtor has not returned the payroll funding to BIF. Based on this information, I anticipate that the Debtor has laid off some or all of its employees and may no longer be operating. A copy of the email exchange is attached hereto and marked as **Exhibit "L"**.

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30. I have been informed by Robert Kiefer, Senior Account Manager, Special Accounts Management Unit that, on May 25, 2019, BMO demanded payment from the Debtor in the amount of \$806,979.65 inclusive of principal and interest, plus costs, and delivered its own BIA notice to the Debtor.

31. On May 24, 2019, Chaitons received a letter from Harris & Harris LLP on behalf of the Company, wherein a request was made for BIF to forbear from taking enforcement steps. On that same day, Chaiton issued a responding letter, confirming that BIF had lost confidence in Ms. Pelczynski's ability to manage the Debtor and that it was not prepared to enter into a forbearance agreement. Copies of the letters are collectively attached hereto and marked as **Exhibit "M"**.

#### **JUST AND CONVENIENT TO APPOINT A RECEIVER**

32. BIF and BMO have each demanded payment from Holistic Blend and sent a BIA notice. The Debtor owes BIF and BMO collectively in excess of \$3.1 million. The Debtor has almost \$750,000 in other known liabilities, has unpaid judgment creditors, and is generating negative net income. BIF has lost all faith in Ms. Pelczynski's to manage the Debtor's business.

33. In these circumstances, I believe it is in the best interests of BIF and the Debtor's creditors generally that a Receiver be appointed to take control over and realize on the Debtor's property for the benefit of all of the Debtor's stakeholders. Accordingly, it is just and convenient in the circumstances to appoint a Receiver.

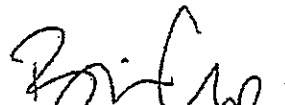
34. BIF proposes that KSV be appointed as Receiver. KSV has agreed to accept the appointment, and a copy of its consent is attached hereto and marked as **Exhibit "N"**.

35. This affidavit is sworn in support of BIF's application for the appointment of a Receiver and for no other or improper purpose.

**SWORN BEFORE ME** at the City of Toronto, in the Province of Ontario on May 30, 2019



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



**BRIAN CHAMP**

Sanea Tarvir,  
a Commissioner, etc., Province of Ontario,  
while a Student-at-Law.  
Expires July 26, 2021.



THIS IS EXHIBIT "A" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

*Dana Tamm*

A Commissioner, etc.



Government  
of Canada

Gouvernement  
du Canada

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## Federal Corporation Information - 388672-7

[Buy copies of corporate documents](#)

### Note

This information is available to the public in accordance with legislation (see [Public disclosure of corporate information](#)).

#### Corporation Number

388672-7

#### Business Number (BN)

890870512RC0001

#### Corporate Name

3886727 CANADA INC.

#### Status

Active

#### Governing Legislation

*Canada Business Corporations Act - 2001-04-18*

### Registered Office Address

Care of: Debbie Pelczynski  
3600 A Laird Road #11  
Mississauga ON L5L 6A6  
Canada

### Note

Active CBCA corporations are required to update this information within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

## Directors

Minimum 1

Maximum 10

DEBBIE MARIE PELCZYNSKI  
151 OLIVER PLACE  
OAKVILLE ON L6H 1K9  
Canada

### Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

## Annual Filings

### Anniversary Date (MM-DD)

04-18

### Date of Last Annual Meeting

2018-11-18

### Annual Filing Period (MM-DD)

04-18 to 06-17

### Type of Corporation

Non-distributing corporation with 50 or fewer shareholders

### Status of Annual Filings

2019 - Filed

2018 - Filed

2017 - Filed

## Corporate History

### Corporate Name History

2001-04-18 to Present

3886727 CANADA INC.

### Certificates and Filings

#### Certificate of Incorporation

2001-04-18

#### Certificate of Amendment \*

2014-09-30


Amendment details: Other

\* Amendment details are only available for amendments effected after 2010-03-20. Some certificates issued prior to 2000 may not be listed. For more information, [contact Corporations Canada](#).

[Buy copies of corporate documents](#)[Start New Search](#)[Return to Search Results](#)**Date Modified:**

2019-04-01

THIS IS EXHIBIT "B" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.



BridgingFactor Inc. 949 Wilson Avenue Toronto, Ontario M3K 1G2 Canada	Telephone: (416) 644-6444 Fax: (416) 644-3003 Email: <a href="mailto:kwestfall@bridgingfactor.ca">kwestfall@bridgingfactor.ca</a> Website: <a href="http://www.bridgingfactor.ca">www.bridgingfactor.ca</a>
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May 26, 2015

Debbie Pelczynski  
President  
3886727 Canada Inc. o/a Holistic Blend  
3600 Laird Road, Unit 11  
Mississauga, Ontario  
L5L 6A6

**RE:** Proposed Factor, Purchase Order Finance and Demand Loan Facilities (the "Facility") between BridgingFactor Inc. in its capacity as sub-advisor and on behalf of Sprott Bridging Income Fund L.P. ("BFI") and 3886727 Canada Inc. o/a Holistic Blend (the "Assignor")

Dear Debbie,

Based on the information provided and representations made to date, BFI is pleased to confirm that we are prepared to offer funding up to an amount of \$1,000,000 to the Assignor by the purchase of accounts receivable, the granting of Demand Loans and the guaranteeing of Letters of Credit, subject to the terms and conditions contained herein. We at BridgingFactor take great pride in our customer service and our commitment to flexibility in customizing facilities to meet your individual needs. We hope to count you amongst our clientele shortly.

**Guarantor:** The personal guarantee of Debbie Pelczynski and the corporate guarantee of all related businesses (collectively, the "Guarantor").

**Facilities:**

**Accounts Receivable:** Full recourse factor facility for the purchase of creditworthy, fully earned, undisputed accounts receivable of the Assignor, acceptable to BFI in its sole discretion, on a non-notification basis. Recourse shall be set at 90 days. The Assignor shall provide copies of invoices, purchase orders and proof of deliveries to BFI with each request for funding. The Assignor will be required to establish a separate Blocked Deposit Account at BMO Bank of Montreal, into which The Assignor will deposit the proceeds of all sales. The funds will be automatically swept in to BFI's operating account on a daily basis, with the amounts being applied against the facilities.

**Discount Fee:** BFI will deduct a Discount Fee of 0.85% from the face value of purchased accounts receivable. An additional Discount Fee 0.028% per day will be charged at the end of each month for any receivable outstanding thirty (30) days from the date of purchase by BFI until receipt by BFI. In addition, BFI will charge, at the end of each month, a fee equal to the Bank of Montreal prime rate plus 3% per annum on prepayments for purchased accounts. Please note ¼ of the total fee shall be considered a Facility Fee. The Facility Fee is not an additional fee, but rather a fee split between BridgingFactor Inc., for its role as sub-advisor to the Sprott Bridging Income Fund LP.

**Minimum Fee:** None.

**Advance Rate:** 90% of the gross face value of eligible insured accounts receivable and 85% of the gross face value of eligible uninsured invoices; as determined by BFI in its discretion. BFI may, in its discretion, reserve additional amounts equal to all rebates, allowances, discounts and other clauses as stated in purchase orders, vendor agreements and contracts.

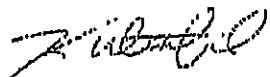
<b><u>Demand Loan:</u></b>	We may lend up to the lesser of i) \$350,000 or ii) 75% of the Forced Liquidation Value of eligible finished goods inventory, as determined by our appraisers.
<b><u>Fees:</u></b>	Inventory Loans will bear interest calculated daily and charged monthly in arrears, at the per annum rate of 13.15% percent above the Bank of Montreal prime rate. In addition, The Assignor will pay to BFI a monthly monitoring fee of \$350, payable on the last day of each month for any period during which the facility is drawn. Again, please note ¼ of the total fee shall be considered a Facility Fee. The Facility Fee is not an additional fee, but rather a fee split between BridgingFactor Inc., for its role as sub-advisor to the Sprott Bridging Income Fund LP.
<b><u>Letters of Credit:</u></b>	We may guarantee Letters of Credit (L/C) and/or provide wire payments to suppliers, subject to the following terms and conditions: <ul style="list-style-type: none"> <li>a) The products are finished goods, pre-sold to Eligible Customers, and for immediate delivery upon arrival;</li> <li>b) At our request, you will arrange for satisfactory inspection of the goods;</li> <li>c) Goods will be adequately insured in transit and BFI will be named loss payee;</li> <li>d) The scheduled delivery will accommodate cancellation dates referred to on customers' purchase orders;</li> <li>e) L/C's will be payable at sight;</li> <li>f) For transactions not requiring L/C's, payment will be made directly to the supplier and/or corresponding bank on behalf of the Assignor; and</li> <li>g) L/C's are not to be outstanding for more than 90 days.</li> </ul>
<b><u>Fees:</u></b>	BFI shall charge a fee equal to 1.5% for the first 30 days each L/C or payment remains outstanding and 0.05% for each day thereafter, until each L/C or payment is recovered through the proceeds of factoring. All bank charges and/or fees shall be for the account of the Assignor. Once, again, please note ¼ of the total fee shall be considered a Facility Fee. The Facility Fee is not an additional fee, but rather a fee split between BridgingFactor Inc., for its role as sub-advisor to the Sprott Bridging Income Fund LP.
<b><u>Term:</u></b>	The facility is terminable on 30 days prior written notice by the Assignor to BFI. BFI may terminate the Facility on 30 days written notice to the Assignor or immediately in the event of a default as set out in the documentation to be delivered in respect of the Facility (the "Documentation").
<b><u>Conditions:</u></b>	Usual and customary for this type of Facility including: <ul style="list-style-type: none"> <li>a) acceptance by the Assignor of this proposal and receipt by BFI of the due diligence fee as indicated below;</li> <li>b) satisfactory completion of due diligence by BFI;</li> <li>c) approval of the Facility by BFI's credit committee; and</li> <li>d) execution of the Documentation including a general security agreement providing a first ranking security interest in all assets of the Assignor and a subordination and postponement of shareholder and related party loans and/or advances, if applicable.</li> </ul>
<b><u>Reporting:</u></b>	The Assignor shall provide such financial and other information as BFI may reasonably request from time to time including, but not limited to: <ul style="list-style-type: none"> <li>a) monthly bank statements;</li> <li>b) monthly internally prepared financial statements;</li> <li>c) Weekly preparation of a borrowing base, accompanied by a detailed list of inventory at cost;</li> <li>d) proof of payment of monthly rent; and</li> <li>e) evidence of payment of all priority payables / claims within 10 days of their respective due dates.</li> </ul>

- Ongoing Covenants:** In addition to those covenants set out in the Documentation, the Assignor agrees as follows:
- a) the Assignor may not pledge assets or merge with other companies without BFI's prior written consent, which will not be unreasonably withheld;
  - b) the Assignor may not pay any dividends or make any other shareholder withdrawals and/or management bonus without the written permission of BFI, which permission will not be unreasonably withheld. Notwithstanding the foregoing, the Assignor shall pay be permitted to pay dividends, shareholder withdrawals and/or management bonus without the written permission of BFI up to the aggregate amount of \$20,000 in each Fiscal year provided there has been no default and the withdrawal of such funds will not cause a default;
  - c) the Assignor may not make loans to or investments in, or give guarantees on behalf of others; and
  - d) the Assignor shall pay when due all payables / claims.
- Legal and Due Diligence Expenses:** The Assignor and the Guarantor shall be responsible for all reasonable out of pocket expenses incurred by BFI, if any, subsequent to the acceptance of this offer, relating to legal fees, appraisal costs, audit fees, etc., whether or not the Facility closes. A deposit of \$3,000 is required upon acceptance of this offer.
- Confidentiality:** The matters set forth in this proposal and any information provided with respect to this transaction is confidential. Any party may disclose such information to their respective related parties and advisors who need to know such information in order to conclude the transaction contemplated by this proposal and who are informed of the obligation to keep such information confidential or as may be required by applicable law.
- Acceptance:** If you are in agreement with the above terms and conditions please sign below and return to us with your cheque in the amount of \$3,000. Upon receipt, we will commence with our due diligence.

[SIGNATURE PAGE TO FOLLOW]



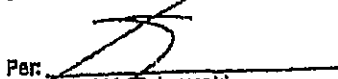
Yours truly,  
BridgingFactor Inc.  
In its capacity as sub-advisor and on behalf of Sprott Bridging Income Fund LP.



Kevin Westfall  
Senior Vice-President

The Assignor hereby accepts the terms and conditions of this proposal this 26 day of May, 2015.

8886727 Canada Inc. o/a Follistic Blend



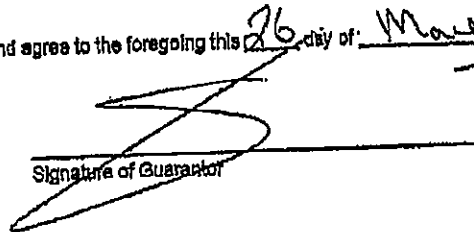
Per:  
Name: Debbie Palozynski  
Title: President

I have authority to bind the Corporation

The Guarantor(s), hereby acknowledge and agree to the foregoing this 26 day of May, 2015.



Witness:




Signature of Guarantor

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
Signature of Guarantor

THIS IS EXHIBIT "C" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

## BLOCKED ACCOUNT AGREEMENT

THIS AGREEMENT is made as of May 27 / 15.

**BETWEEN:** **BANK OF MONTREAL**  
(hereinafter called the "Bank")

**AND:** **3885727 CANADA INC. o/a HOLISTIC BLEND**  
(hereinafter called the "Borrower")

**AND:** **SPROTT BRIDGING INCOME FUND LP.**  
(hereinafter called "Creditor")

WHEREAS the Borrower has entered or is about to enter into financing arrangements with CREDITOR pursuant to which CREDITOR may from time to time make loans and advances and provide other financial accommodations to the Borrower secured by, among other things, all right, title and interest of Borrower in and to all present and future accounts, contract rights, general intangibles, documents, instruments, chattel paper, deposit and other bank accounts and proceeds of the foregoing;

AND WHEREAS the Borrower has established Canadian Dollar Account No. 0002-1889-287 (the "CDN\$ Collection Account") with the Bank;

AND WHEREAS CREDITOR has established a Canadian Dollar Account No. 0002-1920-287 (the "CDN\$ CREDITOR Account") with the Bank;

NOW THEREFORE in order for the Borrower to comply with the requirements of CREDITOR under its financing arrangements with the Borrower, and in consideration of the reciprocal obligations herein provided and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the parties hereto, each of the Bank, the Borrower and CREDITOR agree as follows:

1. **Establishment of Accounts.** The Bank will maintain the Collection Accounts as long as the Borrower is in compliance with the terms of the Bank's account documentation with respect thereto. The Bank will maintain the CREDITOR Accounts as long as CREDITOR is in compliance with the terms of the Bank's account documentation with respect thereto.
2. **Deposits to Collection Accounts.** In connection with its financing arrangements with CREDITOR, the Borrower has agreed with CREDITOR to (i) in the case of proceeds that are denominated in the lawful currency of the United States of America, to deposit or cause to be deposited, all such proceeds of the collateral of CREDITOR to the US\$ Collection Account; and (ii) in the case of proceeds that are denominated in the lawful currency of Canada, deposit or cause to be deposited, all such proceeds of the collateral of CREDITOR to the CDN\$ Collection Account.
3. **Security Interest of CREDITOR.** The Borrower has granted to CREDITOR a security interest in and lien upon, and pledged to CREDITOR, its assets as described above, which

*[Handwritten signature]*

- 2 -

include cheques, drafts and other instruments received for deposit in the Collection Accounts and all amounts at any time in or attributable to the Collection Accounts, as security for all existing and hereafter arising obligations, liabilities and indebtedness of the Borrower to CREDITOR. CREDITOR acknowledges and agrees that it shall take whatever action it considers appropriate and necessary to protect and enforce its rights respecting the Collection Accounts, including completion and registration of any documents or financing statements in order to perfect any security interests in the Collection Account. The Bank makes no representations and assumes no liability respecting the validity or the enforceability of any security interest CREDITOR or any other party may have relating to the Collection Accounts or the existence of any other liens or other interests respecting the Collection Accounts. The Bank assumes no responsibility or liability for maintaining the perfection, registration or validity of the security interest of CREDITOR in the Collection Accounts.

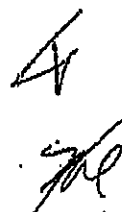
4. **Exclusive Authority.** None of the officers, agents or other representatives of the Borrower or any of its affiliates shall have any authority to withdraw any amounts from, to draw upon or otherwise exercise any authority or powers with respect to the Collection Accounts and all amounts held therein. The Collection Accounts shall be under the sole dominion and control of CREDITOR. Accordingly, the Borrower shall not give any instructions with respect to the Collection Accounts other than those approved in writing by CREDITOR.
5. **No Duty to Inquire.** Subject to Section II, the Bank will not have any duty to inquire whether or not CREDITOR is entitled to give, and has no duty to question, instructions, certificates or notices pursuant to any of the provisions of this Agreement or any other agreement. Any instructions, certificates or notices given by CREDITOR will be conclusive authority for the Bank to act in accordance with the instructions, certificates or notices whether or not CREDITOR is acting in good faith. The Bank is not obliged or required to monitor any requirements or obligations of CREDITOR or the Borrower pursuant to this Agreement or any other agreement.
6. **Account Transfers.** Unless and until the Bank shall receive written instruction from CREDITOR to the contrary, (i) all amounts in the CDN\$ Collection Account shall automatically and without further direction on a daily basis be remitted, at the Borrower's cost and expense, by transfer solely to the CDN\$ CREDITOR Account; and (ii) all amounts in the US\$ Collection Account shall automatically and without further direction on a daily basis be remitted, at the Borrower's cost and expense, by transfer solely to the US\$ CREDITOR Account.
7. **Reporting.** At such time or times as CREDITOR may request, the Bank will promptly report to CREDITOR the amounts deposited in the Collection Accounts and will furnish to CREDITOR any copies of bank statements, deposit tickets, deposited items, debit and credit advices and other records maintained by the Bank under the terms of its arrangements with the Borrower (as in effect on the date hereof). The Borrower hereby expressly consents to the release of this information by the Bank to CREDITOR. CREDITOR will reimburse the Bank for its reasonable expenses in providing such items to CREDITOR.
8. **Charges and Waiver of Right of Set-Off.** Borrower shall be and at all times remain liable to the Bank for any and all fees and service charges relating to the Collection Accounts and chargebacks

Handwritten initials or signature, possibly "JP" or similar, located at the bottom right of the page.

- 3 -

for any cheques, drafts and other payment items dishonoured or otherwise returned to the Bank with respect to the Collection Accounts (all such fees, service charges and chargebacks being hereinafter referred to, collectively, as "Charges"). The Borrower and CREDITOR hereby acknowledge and agree that the Bank shall be entitled to recover any and all Charges from the Collection Accounts and the Bank is hereby authorized to debit the Collection Accounts at any time to recover any and all Charges. The Bank may exercise its rights of set-off, consolidation and banker's lien to the extent required to satisfy any Charges, provided, that the Bank shall not exercise any such rights with respect to other liabilities owed to it by the Borrower. If there are insufficient funds on deposit in the Collection Accounts to cover any outstanding Charges, the Borrower shall promptly pay to the Bank the amount of such Charges upon demand by the Bank. If the Borrower fails to pay such amount within ten (10) days of demand by the Bank, CREDITOR shall promptly pay to the Bank the amount of all such outstanding Charges upon written notification from the Bank.

9. **Compliance with Court Order.** Notwithstanding any other provision contained herein, the Bank shall have the right to automatically debit the Collection Accounts in accordance with any court order or notice of garnishment received by it, or any other legal requirement with which the Bank reasonably determines it is required to comply.
10. **Indemnity.** The Borrower and CREDITOR shall jointly and severally indemnify and hold harmless the Bank, its employees, officers and directors from and against any and all loss, liability, cost, claim and expense incurred (including, without limitation, reasonable legal fees and expenses) by the Bank, its employees, officers and directors with respect to the performance of this Agreement, including, without limitation, claims that the Bank was not properly authorized to transfer credit balances from the Collection Accounts to the CREDITOR Accounts.
11. **Scope of Duty.** The Bank undertakes to perform only such duties as are expressly set forth in this Agreement and to deal with the Collection Accounts and CREDITOR Accounts with the degree of skill and care that the Bank accords to all accounts and funds maintained and held by it on behalf of its customers. Notwithstanding any other provision of this Agreement, the parties agree that the Bank shall not be liable for any action taken by it or any of its directors, officers or employees in accordance with this Agreement except for its or their own gross negligence or willful misconduct. In no event shall the Bank be liable for losses or delays resulting from force majeure, computer malfunctions, interruption of communication facilities or other causes beyond the Bank's control or for indirect or consequential damages.
12. **Termination.** The Borrower shall have no right to terminate this Agreement or the account agreements relating to the Collection Accounts without the written consent of CREDITOR. The Bank may terminate this Agreement and/or the account agreements relating to the Collection Accounts upon thirty (30) days prior notice to CREDITOR thereof. CREDITOR may terminate this Agreement upon thirty (30) days prior notice to the Bank thereof. Upon any such termination, the Bank shall remit the entire balance of each Collection Account as provided in Section 6 hereof, save and except for the amount of any Charges owing to the Bank and subject to the rights of the Bank set out in Section 8 hereof.
13. **Amendments.** No change or modification of this Agreement is binding upon the parties unless it is in writing and signed by CREDITOR and the Bank.
14. **Successors and Assigns.** This Agreement shall be binding upon the Bank and its successors and assigns and enure to the benefit of CREDITOR and its successors and assigns.



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15. **Notices.** Any notices or instructions permitted or required pursuant to this Agreement shall be in writing and shall be delivered to the party for which it is intended by registered mail (postage prepaid), prepaid courier or facsimile to the address of such party indicated below, or at such other address as any party hereto may stipulate by notice to the other parties from time to time. Any notice sent by registered mail shall be deemed to be received by the party for which it is intended five (5) business days after mailing. Any notice delivered by prepaid courier shall be deemed to be received by the party for which it is intended on the date of actual delivery thereof if such delivery occurs prior to 5:00 p.m. on such business day and, otherwise, on the next following business day. Any notice sent by facsimile shall be deemed to be received by the party for which it is intended on the next business day following transmission. The addresses for notice of the parties are as follows:

**CREDITOR:**

SPROTT BRIDGING INCOME FUND LP  
200 BAY STREET SUITE 2700 PO BOX 27  
ROYAL BANK PLAZA, SOUTH TOWER  
TORONTO, ONARIO M5J2J1

**Bank:**

BANK OF MONTREAL, ATTN: TREASURY MANAGEMENT  
FIRST CANADIAN PLACE, 100 KINGS ST W., 11<sup>TH</sup> FLOOR, TORONTO, ONT.  
M5X 1A1

Fax No.: 416-867-3119

BANK OF MONTREAL, ATTN: MAIN LEVEL/B2 LEVEL  
FIRST CANADIAN PLACE, 100 KING ST. W., P.O. BOX 3 - CSC  
TORONTO, ON M5X1A3

Fax No.: 416-867-6764

**Borrower:**

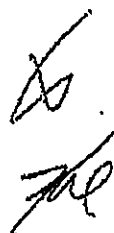
3886727 CANADA INC. o/a HOLISTIC BLEND  
3600A LAIRD ROAD, UNIT 11  
MISSISSAUGA, ONTARIO  
L5L 6A6

**Severability.** If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision and the remainder of this Agreement shall continue in full force and effect.

A  
JHE

- 5 -

16. **Further Assurances.** The parties agree that each of them shall, upon reasonable request of the other, do, execute, acknowledge and deliver such acts, deeds and agreements as may be necessary or desirable to give effect to the terms of this Agreement.
17. **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all parties hereto had all signed the same document. All counterparts shall be construed together and shall constitute one and the same original agreement.
18. **Governing Law.** This Agreement shall be governed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.



(BORROWER) 3886727 CANADA INC.  
o/a HOLISTIC BLEND

Per:

*[Signature]*  
Name: DEBBIE PRZYZYNSKI  
Title: PRESIDENT

Name:  
Title:

(CREDITOR) SPROTT BRIDGING  
INCOME FUND LP.

Per:

*[Signature]*  
Name: KEVIN WESTFALL  
Title: SENIOR VICE-PRESIDENT

Name:  
Title:

BANK OF MONTREAL

Per:

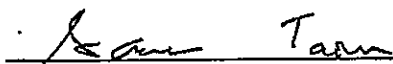
*[Signature]*  
Name: MIMI DATOO  
Title: Managing Director

Name:  
Title:

**Mimi Datto**  
**Director**



THIS IS EXHIBIT "D" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

Sprott  Bridging Income Fund LP.

MASTER FACTORING AGREEMENT

THIS AGREEMENT is made this 19 day of June, 2015.

**BETWEEN:**

3886727 CANADA INC., a corporation

(hereinafter called "Client")

- and -

SPROTT BRIDGING INCOME FUND LP

(hereinafter called "SBIF")

**RECITALS:**

- A. Client has requested SBIF to provide a factoring facility more particularly described in this Agreement under which Client shall offer to SBIF, and SBIF may purchase from Client, accounts receivable of the Client.
- B. SBIF has agreed to provide the Client with such factoring facility, upon and subject to the terms and conditions herein set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants contained herein and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each party), the parties hereby agree as follows:

**1. DEFINITIONS**

1.1 Capitalized terms, whenever used in this Agreement or in any Schedule referred to herein or attached hereto, and not otherwise defined herein or therein, shall have the following meanings:

"Acceptance" has the meaning ascribed to it in Section 3.3;

"Account" means an account, contract right or any other right to payment arising in the ordinary course of business for goods sold or leased and delivered, or for service(s) rendered;

"Account Debtor" means a Customer who is obligated to pay an Account;

"Account Records" has the meaning given to it in Section 3.5;

"Agreement", "this Agreement", "herein", "hereof", "hereunder" or other like words means this Agreement together with the schedules and addenda attached hereto and any other agreement supplementary or ancillary hereto, as amended from time to time;

"Approved Account" means:

- (a) an Account that is of good quality, fully earned and undisputed with a creditworthy Account Debtor as determined by SBIF in its sole discretion;
- (b) all steps required to ensure that the Account is then assignable have been duly completed;
- (c) all persons holding any security or other interests in the Account have released their respective interests (herein or arrangements that are satisfactory to SBIF have been made to discharge or terminate such interests); and
- (d) an account that is satisfactory to SBIF in its sole discretion from time to time.

"Assigned Account" has the meaning ascribed to it in Section 3.5;

"Business Day" means a day other than a Saturday, Sunday or any other day on which banks are authorized or obligated to close under the laws of Canada or the laws of the Province of Ontario;

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"Corresponding Rights" has the meaning ascribed thereto in Section 3.5;

"Credit Impairment", in relation to a Person, means that such Person's ability to pay any amounts owing, or to become owing in the future, to SBIF has been, or threatens to be, impaired, worsened or diminished;

"Credit Problem" means, in the sole and absolute opinion of SBIF, Customer is unable to pay its debts because of its bankruptcy, insolvency or *bona fide* inability to pay;

"Customer" means a customer of Client;

"Event of Default" has the meaning ascribed thereto in Section 12.1;

"Factoring Facility" has the meaning ascribed thereto in Section 2.1

"Gross Face Value" has the meaning ascribed thereto in Sections 4.1 and 4.2;

"Invoice" has the meaning ascribed thereto in Schedule A, as applicable;

"Monitor" has the meaning ascribed thereto in Section 12.2(i);

"Obligations" means all the obligations, indebtedness and liabilities of the Client to SBIF under or arising out of or relating to this Agreement or any other agreement, both present and future, direct or indirect, absolute or contingent, matured or not, extended or renewed, whatsoever and howsoever incurred or arising including, without limitation, repurchase and indemnity obligations and obligations for costs and expenses under this Agreement.

"Offer" has the meaning ascribed thereto in Section 3.1;

"Offer Period" has the meaning ascribed thereto in Section 3.3;

"Permitted Encumbrances" means:

- (i) liens for taxes, assessments or governmental charges incurred in the ordinary course of business that are not yet due and payable or the validity of which is being actively and diligently contested in good faith by Client or in respect of which Client has established on its books reserves considered by it and its auditors to be adequate therefor;
- (ii) construction, mechanics', carriers', warehousemen's and materialmen's liens and liens in respect of vacation pay, workers' compensation, unemployment insurance or similar statutory obligations, provided the obligations secured by such liens are not yet due and payable and, in the case of construction liens, which have not yet been filed or for which Client has not received written notice of a lien;
- (iii) deposits to secure public or statutory obligations or in connection with any matter giving rise to a lien described in (ii) above;
- (iv) any liens, security interests, encumbrances or other charges in favour of SBIF;
- (v) purchase money security interests, as defined in the PPSA with the prior written consent of SBIF not to be unreasonably withheld or delayed;
- (vi) any lien, other than a construction lien, payment of which has been provided for by deposit with a bank of an amount in cash, or the obtaining of a surety bond or letter of credit satisfactory to SBIF, sufficient in either case to pay or discharge such lien or upon other terms satisfactory to SBIF; and
- (vii) any other lien which SBIF approves in writing as a Permitted Encumbrance;

"Person" includes an individual, corporation, partnership, trust, unincorporated association or any government, Crown corporation or governmental agency or authority, or any combination of the above;

"PPSA" means the *Personal Property Security Act* (Ontario) and all regulations made pursuant thereto;

"Priority Claims" shall mean, at any time, any liability of Client that ranks or could or would rank, in right of payment in any circumstances, equal to or in priority to any liability of Client to SBIF hereunder or under any other agreements with the SBIF, and

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may include unpaid wages, salaries and commissions, pension plan contributions, health and benefit plan payments, unremitted source deductions, vacation pay and unremitted source deductions in respect of vacation pay, arrears of rent, unpaid taxes (including without limitation goods and services taxes, harmonized sales tax and provincial sales taxes), amounts owed in respect of worker's compensation, amounts owed to unpaid vendors who have a right of repossession, payments owing to prior ranking secured creditors (if any), and amounts owing to creditors which may claim priority by statute or under a purchase money lien.

"Purchase Orders" has the meaning ascribed thereto in Schedule A;

"Purchase Price" has the meaning ascribed thereto in Section 4.1;

"Reserve" has the meaning ascribed thereto in Section 4.7;

"Security Documents" means, collectively, any agreements, instruments and documents delivered from time to time (both before and after the date of this Agreement) to SBIF by Client and/or any of its subsidiaries and/or affiliates, or by the principals or shareholders of the Client and/or any of its subsidiaries or affiliates, for the purpose of establishing, perfecting, preserving or protecting the interest of SBIF in the Assigned Accounts purchased by SBIF and Corresponding Rights and the performance and payment of all Obligations hereunder, including, without limitation, guarantees, debentures, general security agreements, general assignments of receivables and share pledge agreements.

## 2. FACTORING FACILITY

2.1 SBIF hereby establishes in favour of Client, upon and subject to the terms and conditions contained in this Agreement, a factoring facility under which Client shall offer and sell to SBIF, and SBIF may accept and purchase from Client in SBIF's sole and absolute discretion, Accounts subject to the terms and conditions herein (the "Factoring Facility").

2.2 The performance by SBIF of its obligations under this Agreement is, in addition to any other terms and conditions contained in this Agreement, subject to satisfaction of the following condition, which is included herein for the sole benefit of SBIF and which may be waived in whole or in part by SBIF in its sole and absolute discretion:

SBIF shall have received the following in form and substance satisfactory to it:

- (a) copies of the charter documents, by-laws, shareholders agreement, if any, and resolution of the board of directors of Client authorizing the transactions herein contemplated certified to be true and complete by an officer of Client;
- (b) a certificate of incumbency of Client, together with specimen signatures of the signatories of Client;
- (c) certificates of good standing issued by appropriate government officials of the jurisdiction of incorporation of Client;
- (d) such Security Documents as SBIF may have requested pursuant to Section 7.1; and
- (e) such other certificates and documentation as SBIF may request in a form satisfactory to SBIF or SBIF's legal counsel.

## 3. PURCHASE AND SALE OF ACCOUNTS RECEIVABLE

3.1 On a Business Day in each week as determined by SBIF or as may otherwise be required by SBIF by notice to Client in writing, Client shall offer to sell to SBIF all Accounts existing as of such date. Each offer ("Offer") shall be in writing substantially in the form of the OFFER TO SELL ACCOUNTS attached as Schedule "SCHEDULE A" and shall specifically identify in the SCHEDULE OF ACCOUNTS thereof each Account that is being offered for sale (an "Offered Account").

3.2 Each Offer shall be subject to the terms and conditions of this Agreement and shall remain open for SBIF's acceptance in accordance with Section 3.3 for a period of five Business Days from the date of receipt by SBIF of the Offer or such further period of time as SBIF may agree in writing (the "Offer Period"). Once an Offer has been made, it shall be irrevocable by Client during the Offer Period. If SBIF does not accept an Offer within the Offer Period, SBIF shall be deemed to have declined to accept the Offer.

3.3 SBIF may accept an Offer by signing the Offer and:

- (a) dispatching a copy of the signed Offer to Client by mail or courier, accompanied by a cheque payable to Client in the amount of (i) the aggregate of the amounts of the Purchase Price for each Offered Account less the Reserve withheld by SBIF from the Purchase Price in accordance Section 4.7, less (ii) any deductions pursuant to Section 4.6 (the "Acceptance Payment");
- (b) dispatching (i) a copy of the signed offer to Client by facsimile transmission and (ii) a cheque payable to the Client in the amount of the Acceptance Payment by mail or courier

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If requested in writing by Client, SBIF may pay the Acceptance Payment by wire transfer to Client's account with the bank indicated on the attached Schedule "B" and the wire transfer shall satisfy the requirement in (a) or (b) above, as applicable, to dispatch a cheque in the amount of the Acceptance Payment.

**3.4 SBIF's acceptance of an Offer ("Acceptance"):**

- (a) if pursuant to Section 3.3(a), shall be effective upon:
- (i) deposit of the signed Offer and cheque in the mail or pickup by, or delivery to, a courier of the signed Offer and the cheque; or
  - (ii) If the Acceptance Payment is paid by wire transfer, deposit of the signed Offer in the mail or pickup by, or delivery to, a courier of the signed Offer and initiation of the wire transfer; and
- (b) If to Section 3.3(b), shall be effective upon:
- (i) facsimile transmission of the signed Offer and deposit of the cheque in the mail or pickup by, or delivery to, a courier of the cheque; or
  - (ii) If the Acceptance Payment is paid by wire transfer, facsimile transmission of the signed Offer and initiation of the wire transfer.

3.5 The Acceptance by SBIF of an Offer, without the necessity of any further action, shall be effective to automatically assign and transfer to and vest in SBIF absolutely (not by way of security), effective as of the time of Acceptance, all of Client's right, title and interest in and to each Offered Account (each an "Assigned Account"), together with (i) full power to collect, sue for, compromise, assign, in whole or in part, or in any other manner enforce collection thereof in the name of SBIF or otherwise, (ii) any notes or drafts related thereto, (iii) Client's rights under or in relation to the Invoice, Purchase Order or other contract or instrument under which such Assigned Account arose, (iv) Client's books and records relating thereto, whether written or recorded electronically on computer-readable disc or any other digital or machine readable form or medium ("Account Records"), (v) any returned, rejected or repossessed goods giving rise to such Assigned Account, (vi) Client's rights as an unpaid vendor or lessor, (vii) all rights of stoppage in transit, replevin, repossession and reclamation, (viii) all deposits and security therefor and guarantees thereof, (ix) all rights to insurance proceeds resulting therefrom, and (x) all payments or other proceeds of the foregoing in any form (collectively, the "Corresponding Rights"). Nothing contained in this Agreement or any assignment, transfer or other document shall be deemed to constitute an assumption by SBIF of any liability with respect to, or impose any duty or obligation upon SBIF in favour of, any Account Debtor or any other third party in connection with any Assigned Account.

3.6 Upon SBIF's Acceptance of an Offer, Client will deliver to SBIF (i) copies of all documents evidencing or relating to the Assigned Accounts purchased by SBIF pursuant to the Offer, to the extent not previously delivered to SBIF, and (ii) such other documentation as SBIF may require, in form satisfactory to SBIF in all respects. Client will maintain all shipping documents, delivery receipts and invoices relating to such Assigned Accounts to the extent not delivered to SBIF, available for inspection and copying by SBIF, and Client will deliver them to SBIF promptly upon its request.

3.7 SBIF is not obligated to buy any Account from Client and shall have no liability to Client or any Account Debtor as a result of its failure or refusal to purchase an Account.

3.8 Client hereby irrevocably appoints SBIF as its attorney to execute (including the power to execute under Client's seal) and deliver in Client's name all assignments, transfers, conveyances, instruments, deeds and other documents that SBIF may consider necessary or advisable in order to confirm and perfect SBIF's title in any Assigned Account and/or in any Corresponding Rights including any security provided by any Account Debtor in respect of any Assigned Account, and may supply any endorsement to any bill, note, cheque or other instrument relating to an Assigned Account in order to obtain payment therefor, and the power of attorney granted hereby shall be deemed to be coupled with an interest.

3.9 If, for any reason whatsoever, the assignment, transfer and vesting by or pursuant to Section 3.5 is not fully and properly effected, until such time as Client's right, title and interest in an Assigned Account and all Corresponding Rights are effectively vested in SBIF, Client shall hold such Assigned Account and Corresponding Rights, and all benefit thereof and therefrom, in trust for SBIF.

**4. PRICING AND PAYMENT AND RESERVE**

4.1 The purchase price for each Assigned Account (the "Purchase Price") shall be an amount equal to (i) the outstanding amount remaining to be paid on the Invoice rendered in respect of such Assigned Account, including taxes but net of penalties, duties, delivery charges or any other similar charges or amounts (the "Gross Face Value"), less (ii) the amount specified in Schedule "B" as the "Purchase Discount".

4.2 In determining the Gross Face Value of an Assigned Account, the outstanding amount remaining to be paid on the Invoice shall be reduced by an amount equal to all discounts available to the Account Debtor by virtue of such Account Debtor paying such Assigned Account in full prior to the latest date on which such Account Debtor is entitled to pay such Assigned Account before it falls into arrears.

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4.3 If SBIF receives any payment in respect of an Assigned Account which exceeds the monthly or periodic instalment payment on such Assigned Account (the excess portion being referred to hereinafter as a "Periodic Overpayment") or which exceeds the Gross Face Value for such Assigned Account (the excess portion being referred to hereinafter as a "Matured Debt Overpayment"), such Periodic Overpayment or Matured Debt Overpayment, as applicable, shall be placed by SBIF in any SBIF account, including, but not restricted to, a reserve account. All such amounts held by SBIF may be applied by SBIF against charge-backs or any other Obligations of Client to SBIF known or anticipated. Subject to Section 4.4, no such amount held by SBIF shall be paid to Client until any and all of such Obligations are fully paid and/or satisfied.

4.4 Provided Client has not failed to pay any Obligations of Client to SBIF which are then due and owing and subject to any application of any Periodic Overpayment and/or Matured Debt Overpayment by SBIF against charge-backs or any other Obligations of Client to SBIF known or anticipated, SBIF shall pay to Client the Periodic Overpayment and/or Matured Debt Overpayment on an Assigned Account after SBIF has received full payment in respect of such Assigned Account. Such payments shall be made within three Business Days immediately following payment in full of such Assigned Account, unless otherwise agreed to in writing by SBIF. Notwithstanding the foregoing, if, in SBIF's sole and absolute opinion, there is an adverse change in the financial condition of Client or the Account Debtor obligated to pay the Assigned Account in respect of which the Periodic Overpayment and/or Matured Debt Overpayment was made, or a Credit Impairment has occurred in relation to Client or such Account Debtor, SBIF shall not be obligated to pay to Client any amount constituting a Periodic Overpayment or a Matured Debt Overpayment until, in SBIF's sole and absolute opinion, the financial condition of Client is satisfactory or the Credit Impairment no longer exists.

4.5 The outstanding amount of Assigned Accounts purchased by SBIF from Client and not yet paid by the Account Debtors obligated to pay such Assigned Accounts shall not exceed, in aggregate, at any time the amount specified in Schedule "B" as the "Purchase Limit".

4.6 SBIF shall be entitled to deduct from the Purchase Price for an Assigned Account any and all amounts then owing to SBIF or deductible by SBIF pursuant to this Agreement or any other agreement between SBIF and Client and its standard wire transfer fee for all wire transfers and same-day or overnight courier service charges if Client requests that payment be delivered to it in such manner.

4.7 SBIF shall also withhold, and reserve (in a reserve account), from the Purchase Price for each Assigned Account an amount equal to the percentage specified in Schedule "B" as the "Reserve Holdback", of the Gross Face Value of such Assigned Account (a "Reserve"). All amounts held in said reserve account may be applied by SBIF against charge-backs or any Obligations of Client to SBIF known or anticipated and, subject to the following paragraph, no amount held in said reserve account shall be paid to Client until any and all of such Obligations have been fully paid and/or satisfied. Provided Client has not failed to pay any outstanding Obligations then due and owing to SBIF, SBIF shall pay to Client, from the reserve account, the Reserve for each Assigned Account after SBIF has received full payment in respect of such Assigned Account. Such payments shall be made within three Business Days immediately following payment in full of such Assigned Account, unless otherwise agreed to in writing by SBIF. Notwithstanding the foregoing, if, in SBIF's sole and absolute opinion, there is an adverse change in the financial condition of Client or of the Account Debtor obligated to pay the Assigned Account in respect of which the Reserve was made, or a Credit Impairment occurs in relation to Client or such Account Debtor, SBIF shall not be obligated to pay to Client any amount from the reserve account until, in SBIF's sole and absolute opinion the financial condition of the Client is satisfactory or the Credit Impairment no longer exists.

##### 5. REPRESENTATIONS AND WARRANTIES OF CLIENT

5.1 As an inducement for SBIF to enter into this Agreement, and with full knowledge that the truth and accuracy of the representations and warranties in this Agreement are being relied upon by SBIF in purchasing Accounts hereunder, Client represents and warrants that as at the date of this Agreement and as at the time of Acceptance by SBIF of each Offer it may accept:

- (a) Client is a corporation validly existing in good standing under the laws of the jurisdiction of its incorporation with adequate corporate power to enter into and perform its obligations under this Agreement and applicable schedules and addenda and each Offer made by it;
- (b) this Agreement and applicable schedules and addenda executed by Client have been duly authorized, executed and delivered by Client and constitute valid, legal and binding agreements, enforceable in accordance with their terms and each Offer executed by Client will be duly authorized, executed and delivered by Client and, when accepted by SBIF in accordance with this Agreement, will constitute a valid, legal and binding agreement, enforceable against Client in accordance with its terms;
- (c) to Client's knowledge, no approval, consent or withholding of objection is required from any governmental authority with respect to the entering into and performance by Client of this Agreement and any applicable schedules and addenda to be executed by Client and any Offers made by the Client, or if any such approval is required, it has been obtained;
- (d) the entering into and performance of this Agreement and any applicable schedules and addenda and the making of an Offer does not violate any judgment, order, law or regulation applicable to Client or any provision of Client's Articles of Incorporation or By-laws or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any of Client's assets or any of the Assigned Accounts pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which Client is a party or by which Client or Client's assets may be bound;
- (e) Client is duly qualified to carry on business in the Province of Ontario and all other jurisdiction(s) where it carries on business. Client is properly licensed and authorized to operate the business as it is presently operated and Client's trade

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name(s) has been properly filed and published as required by applicable law. Client has fulfilled all local, provincial or federal requirements of law in properly registering itself to do business at all addresses where its business is located;

- (f) no Event of Default has occurred;
- (g) Client has made timely payment and/or local deposits of required taxes, including employee income tax withholdings, to Canada Revenue Agency as well as to any other federal, provincial and/or local tax authority as they become due;
- (h) all financial records, statements, books or other documents shown to SBIF by Client at any time, either before or after the signing of this Agreement, are true, complete and accurate and represent the true financial condition of Client; and
- (i) with respect to Account Debtors obligated to pay Assigned Accounts and Assigned Accounts:
  - (i) Client is, at the time of Acceptance by SBIF, the sole legal and beneficial owner of, and has undisputed title to, the Assigned Accounts and all Corresponding Rights purchased by SBIF free and clear of all mortgages, liens, charges, security interests, encumbrances and adverse claims of every nature and kind whatsoever;
  - (ii) each Assigned Account offered for sale to SBIF and accepted and purchased by SBIF is an Approved Account;
  - (iii) to the best of Client's information, knowledge and belief, no Account Debtor obligated to pay an Assigned Account has committed an act of bankruptcy or is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada);
  - (iv) Client has not received any notice, either verbal or written, of a Credit Impairment and/or Credit Problem concerning any of its Account Debtors obligated to pay any of the Assigned Accounts, which Credit Impairment and/or Credit Problem has not been previously disclosed in writing to SBIF;
  - (v) each Account Debtor obligated to pay an Assigned Account is indebted to Client for the Gross Face Value of such Assigned Account set out in the Offer for the sale of such Assigned Account to SBIF;
  - (vi) the Invoice, Purchase Order or other contract or instrument provided to SBIF as evidencing the agreement between Client and its Account Debtor under which an Assigned Account arose sets forth and constitutes the entire agreement between Client and such Account Debtor with respect to the subject matter thereof, there being no other written or oral understandings or representations;
  - (vii) at the time of Acceptance by SBIF, there has been no prepayment of payments or other monies payable under any Assigned Account except as expressly disclosed in writing to SBIF;
  - (viii) all covenants, conditions and obligations of Client and each Account Debtor obligated to pay an Assigned Account, including, without limitation, all conditions precedent to the obligation of the Account Debtor to make the payments under such Assigned Account, have been performed and fulfilled by Client;
  - (ix) at the time of Acceptance, each Account Debtor obligated to pay an Assigned Account has performed and fulfilled all covenants, conditions and obligations in respect of such Assigned Account and the Account Debtor has agreed to continue to perform and fulfill such covenants, conditions and obligations and has further agreed that its obligation to make all payments in respect of such Assigned Account shall be absolute and unconditional under all circumstances and shall not be affected by any right of set-off, counterclaim or defence such Account Debtor may have against Client, SBIF or any other Person for any reason whatsoever;
  - (x) each Invoice, Purchase Order or other contract or instrument provided to SBIF as evidencing the agreement between Client and the Account Debtor under which an Assigned Account arose is in full force and effect and has not been amended, changed or modified and shall not be amended, changed or modified without the prior written consent of SBIF;
  - (xi) the goods or services referenced in each Invoice, Purchase Order or other contract or instrument provided to SBIF as evidencing the agreement between Client and its Account Debtor under which an Assigned Account arose have been duly delivered or rendered to such Account Debtor at the location specified in such Invoice, Purchase Order, contract or instrument and the Account Debtor has duly inspected such goods or services, found the same to be in good order, in full accordance with all of its specifications and requirements, and has accepted such goods or services for all purposes of its agreement with Client;
  - (xii) the goods or services referenced in each Invoice, Purchase Order or other contract or instrument provided to SBIF as evidencing the agreement between Client and its Account Debtor under which such Assigned Account

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arose are presently located or were effected at the address specified on Schedule "B" as the "Location of Goods or Services";

- (xiii) each Account Debtor obligated to pay an Assigned Account has agreed that neither the Invoice, Purchase Order or other contract or instrument provided to SBIF as evidencing the agreement between Client and such Account Debtor under which such Assigned Account arose nor the transfer or assignment by Client of such Assigned Account or its rights under such Invoice, Purchase Order, contract or instrument shall make SBIF liable to perform or fulfill any covenants, conditions or obligations of Client under such Invoice, Purchase Order, contract or instrument, all of which shall remain the responsibility of Client, and that the Account Debtor's sole remedy for breach of such covenants, conditions or obligations shall be against Client;
- (xiv) each Account Debtor obligated to pay an Assigned Account has agreed not to assert against SBIF any claim, set-off, counterclaim or defence such Account Debtor has, or may have, against Client, SBIF or any other Person for any reason whatsoever;
- (xv) each Assigned Account offered for sale to SBIF is an accurate and undisputed statement of indebtedness by the Account Debtor obligated to pay such Assigned Account to Client as a result of a *bona fide* and absolute sale of goods to such Account Debtor (which goods were delivered and accepted by such Account Debtor) or performance of service by Client to such Account Debtor (which services were accepted by such Account Debtor), and such goods were not provided to its Account Debtor on consignment, or on an approval or hold basis, or by way of guaranteed contract or subject to any other contingency and is for a certain sum which is due and payable in 30 days or less, or within such time as is agreed to, in writing by SBIF and Client;
- (xvi) Client does not own, control or exercise dominion over, in any way whatsoever, the business of any Account Debtor obligated to pay an Assigned Account; and
- (xvii) Client has not transferred, assigned, pledged or granted a security interest in its Accounts or other personal property to any other party which Client has not fully disclosed in writing to SBIF prior to the date of this Agreement.

## 6. COVENANTS OF CLIENT

6.1 In addition to any other covenants made by Client in favour of SBIF hereunder, Client hereby covenants with SBIF that so long as any Assigned Account purchased by SBIF or any Obligations remain unperformed or unpaid:

- (a) it shall promptly notify SBIF of any attachment, seizure or any other legal process levied upon or against Client and any information with respect to any Account Debtor obligated to pay any Assigned Account, which indicates a Credit Impairment and/or Credit Problem, including, without restricting the foregoing, any attachment, seizure or any other legal process levied upon or against such Account Debtor;
- (b) it shall immediately upon the sale of any Assigned Account to SBIF, make proper entries on its books and records reflecting the absolute sale (not by way of security) of such Assigned Account to SBIF;
- (c) it shall provide to SBIF such waivers, subordinations, postponements or releases from third parties as may be requested by SBIF;
- (d) it shall continue to make timely payment and/or local deposits of required taxes, including employee income tax withholdings, to Canada Revenue Agency as well as to any other federal, provincial and/or local tax authority as they become due;
- (e) it shall furnish, upon request by SBIF, satisfactory proof of payment of any or all taxes required by law to be paid by Client;
- (f) it shall maintain such insurance covering Client's business and assets, and in such amounts, as may be satisfactory to SBIF in its sole discretion and shall arrange for SBIF to be named as loss payee and additional named insured on such insurance policies;
- (g) SBIF shall, at any and all reasonable times during business hours have the irrevocable right to inspect, copy and use any and all Account Records and any and all other records, whether in writing or electronically recorded, pertaining to the Assigned Accounts purchased by SBIF and as to any other matters relevant to the obligations of Client and rights of SBIF hereunder and to make copies of all such records and enter into and upon the lands or premises where Account Records may be located for the purpose of inspecting the same, subject to Client's work schedules and reasonable security procedures;



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- (h) it shall, at its expense, protect and defend SBIF's title to all Assigned Accounts and Corresponding Rights purchased by SBIF against all Persons claiming against or through or under Client and shall, at all times, keep Client's assets free and clear from any legal process, pledges, commercial pledges, privileges, floating or fixed charges, judgments, distress or any analogous process, statutory liens or trusts, liens or encumbrances whatsoever (except Permitted Encumbrances, including any placed thereon by SBIF or agreed to in writing by SBIF) and shall give SBIF immediate written notice thereof and shall indemnify and hold SBIF harmless from and against any loss caused thereby. Client further agrees that it shall keep all Assigned Accounts and Corresponding Rights purchased by SBIF free and clear of any and all liens, charges, and encumbrances which may be levied against or imposed upon such Assigned Accounts and Corresponding Rights as a result of the failure of Client for any reason to perform or observe any of the covenants and agreements required to be performed or observed by Client hereunder;
- (i) it shall provide written notice to SBIF within 48 hours of Client obtaining knowledge from any source, of the filing, recording or perfection by any means, of a non-consensual lien, claim or encumbrance against any property of Client;
- (j) it shall notify SBIF in writing 30 days prior to any change in the location of Client's place(s) of business or if Client has or intends to acquire any additional place(s) of business, or prior to any change in the location of Client's chief executive office and/or the office or offices where the Account Records and Client's books and records concerning Assigned Accounts and Corresponding Rights purchased by SBIF are kept;
- (k) it shall:
- (i) set up and maintain accounting systems and books of account in accordance with generally accepted accounting principles and practices and, at any time upon request by SBIF, furnish all such information concerning Client's affairs and business as SBIF may reasonably require;
  - (ii) as soon as is practicable and in any event within 15 days after the end of each month, deliver to SBIF the interim unaudited financial statements of Client and of each subsidiary and affiliate of Client, including in each case a balance sheet, statement of profit and loss and a statement of changes in financial position, together with comparative figures for the corresponding month in the previous fiscal year;
  - (iii) as soon as practicable and in any event within 90 days after the end of each fiscal year, deliver to SBIF financial statements in a form satisfactory to SBIF prepared by a firm of chartered accountants acceptable to SBIF, which report shall review Client's annual financial statements and each subsidiary and affiliate of Client;
  - (iv) as soon as practicable and in any event within 5 days after the end of each calendar month, deliver to SBIF an aged list by Account Debtor of Client's and each of Client's subsidiaries' and affiliates' accounts receivable; and
- (l) if an Event of Default has occurred and a Monitor has been appointed,
- (i) disclose to the Monitor any information which it may have concerning Client and its subsidiaries and affiliates and its business affairs;
  - (ii) provide to the Monitor full access to Client's and its subsidiaries' and affiliates' business operations, or assets, books and records during normal working hours and instruct its bankers, accountants and other advisors and officers of any such company to release any and all information required; and
  - (iii) pay for the reasonable fees and disbursements of the Monitor.

6.2 In addition to any other covenants made by Client in favour of SBIF hereunder, Client hereby covenants and agrees with SBIF that, so long as any Assigned Account remains outstanding or any Obligations remain unperformed or unpaid, it shall not, without the prior written consent of SBIF:

- (a) pledge the credit of SBIF, directly or indirectly, to any Person for any purpose whatsoever;
- (b) guarantee, indemnify or provide financial assistance to, directly or indirectly, any Person for any purpose whatsoever;
- (c) under any circumstances or in any manner whatsoever, interfere with any of SBIF's rights under this Agreement;
- (d) for the term of this Agreement and for as long as any Obligations whatsoever remain unperformed or unpaid, factor or sell Accounts to any Person other than SBIF;

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- (e) change or modify or agree to change or modify the terms of any Invoice, Purchase Order or other contract or instrument under which any Assigned Account purchased by SBIF arose unless SBIF first consents to such change or modification in writing;
- (f) pledge or grant a security interest to any other party in its Accounts, Corresponding Rights or property for the term of this Agreement and for as long as it is indebted to SBIF hereunder;
- (g) sell, lease, transfer or otherwise dispose of all or substantially all of its property or assets, or consolidate with or merge into or with any corporation or entity;
- (h) Client shall not pledge assets, acquire or merge with any other companies or entities, change its capital structure and/or its shareholder(s) without SBIF's prior written consent, which will not be unreasonably withheld;
- (i) Client shall obtain SBIF's prior written consent before permitting any shareholder(s) to sell or transfer their shares or before any change in effective voting control (by contractual or other means);
- (j) Client shall not be entitled to pay any dividends, effect any share retractions/redemptions/repurchases or make any other distributions to its shareholders or pay any management bonuses, without SBIF's prior written consent notwithstanding the foregoing:
  - (i) the Client may not pledge assets, acquire or merge with other companies, change the capital structure and/or shareholder(s) without SBIF's prior written consent, which will not be unreasonably withheld;
  - (ii) the Client must obtain SBIF's prior written consent before permitting shareholder(s) to sell or transfer their shares or before any change in effective voting control by contractual or other means which consent will not be unreasonably withheld;
  - (iii) the Client may not pay any dividends or make any other shareholder withdrawals and/or management bonus without the written permission of SBIF, which permission will not be unreasonably withheld. Notwithstanding the foregoing, the client shall be permitted to pay dividends, shareholder withdrawals and/or management bonus without the written permission of SBIF up to the aggregate amount of \$20,000 per fiscal year provided there has been no Event of Default and such payment will not cause an Event of Default;
- (k) Client may not make loans to or investments in or give guarantees on behalf of any other persons whatsoever;
- (l) Client shall pay when due all Priority Claims, all salaries and employee remunerations and other related payments;
- (m) Client shall utilize the services of an independent outside payroll service provider (acceptable to SBIF) in order to process and pay all of the Client's payrolls and in order to remit to the appropriate taxation authorities all payroll source deductions in respect thereof.
- (n) Client shall provide to SBIF such financial and other information as SBIF may, from time to time, reasonably request including, but not limited to the following (to be delivered by the Client to SBIF no later than the 15th day of each calendar month as at the end of the immediately preceding calendar month), namely:
  - (i) monthly bank statements in respect of each bank account of the Client;
  - (ii) monthly internally prepared financial statements in respect of the Client; and
  - (iii) within 15 days of their respective due dates, the Client shall provide SBIF with evidence (in form and substance satisfactory to SBIF) that the Client has fully paid all amounts owing to any government or other person which constitute Priority Claims.

## 7. SECURITY

7.1 As a further inducement for SBIF to enter into this Agreement, and as continuing collateral security for the performance and payment of all of the Obligations of the Client to SBIF, Client shall, and shall cause each of its affiliates and subsidiaries and the principals and shareholders of the Client and/or of any of its subsidiaries and/or affiliates to, execute and deliver to SBIF such Security Documents as SBIF may at any time or from time to time hereafter request, in each case within a reasonable time after the request therefor by SBIF, and in each case in form and substance satisfactory to SBIF and SBIF's counsel. Client shall, and shall cause each of its affiliates and subsidiaries and the principals and shareholders of the Client and/or any of its subsidiaries and/or affiliates to, take such action and execute and deliver to SBIF such agreements, conveyances, deeds and other documents and instruments as SBIF shall request, and register, file or record the same (or a notice or financing statement in respect thereof) in all offices where such registration, filing or recording is, in the sole and absolute opinion of SBIF or SBIF's counsel, necessary or advisable to constitute, perfect and maintain its security as a first ranking lien in all jurisdictions reasonably required

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by SBIF, subject only to Permitted Encumbrances, in each case within a reasonable time after the request therefor by SBIF, and in each case in form and substance satisfactory to SBIF and SBIF's counsel.

7.2 Client shall execute such financing or renewal statements, affidavits or other documents for any registration or filing pursuant to any municipal, provincial, state or federal laws, orders or regulations necessary or desirable to protect it and SBIF and its and SBIF's interest in any assets over which security has been granted by an Account Debtor to secure an Assigned Account, including, without limitation, registration under the PPSA or under similar legislation in any other Province of Canada or jurisdiction necessary to perfect and preserve any security interest created under any agreement between Client and such Account Debtor.

7.3 Client acknowledges and agrees that SBIF shall be entitled to execute such financing or renewal statements, affidavits or other documents for any registration or filing pursuant to any municipal, provincial, state or federal laws, orders or regulations necessary or desirable to protect SBIF's interest in the Assigned Accounts and Corresponding Rights purchased by it or in any assets over which security has been granted to SBIF hereunder and under Security Documents, including, without limitation, registration under the PPSA in the Province of Ontario or under similar legislation in any other province of Canada or jurisdiction necessary to perfect and preserve any security interest of SBIF created under this Agreement and under Security Documents. If the signatures of both Client and SBIF are required in connection with the filing or registration of any such security interest, Client shall fully cooperate with SBIF in respect of such filing or registration.

7.4 Client hereby waives receipt of, and the right to receive, a copy of any registered statement or verification statement with respect to statements filed or registered by SBIF under any federal, provincial and/or state personal property security acts and the Civil Code of Quebec. To the extent not prohibited by any law applicable to and governing this Agreement, Client hereby waives the benefit of all provisions of any law, statute or regulation which would in any manner affect SBIF's right and remedies hereunder.

## 8. NOTIFICATION AND COLLECTION OF ACCOUNTS

8.1 Client agrees that SBIF shall have the right at all times after an Event of Default to notify each Account Debtor obligated to pay an Account of the sale/assignment or proposed sale/assignment, as the case may be, to SBIF of such Account and advising the Customer that all future payments of all Accounts are to be made only to SBIF directly provided, however, that prior to an Event of Default, each Account Debtor shall be required to acknowledge a direction confirming that all future payments of all Accounts are to be directed to a lockbox or blocked account controlled by SBIF. Client shall execute and deliver to SBIF a Notice of Assignment of Accounts Receivable substantially in the form attached as a schedule to SCHEDULE "A" which SBIF is authorized to forthwith forward to each Account Debtor on the occurrence of an Event of Default, as determined by SBIF in its sole and unfettered discretion without any requirement to notify Client and without any liability to Client whatsoever.

8.2 Client authorizes SBIF to collect and receive payments of all Accounts directly from Account Debtors at all times, including prior to an Event of Default. If Client receives any payment on any Account, absent written from SBIF instructions to the contrary, Client shall immediately remit such payment in the form received (with any necessary endorsement) directly to SBIF. Until so remitted, Client will hold such payment in trust for SBIF separate and apart from all of Client's other funds. Where payments received by SBIF are in respect of an Account that is not an Assigned Account, such payment shall be treated as being part of the reserve account in accordance with Section 4.7.

## 9. RECOURSE

9.1 SBIF may require Client to repurchase an Assigned Account (a "Recourse Account") in the event that:

- (a) the Assigned Account is not paid by the Account Debtor obligated to pay it for any reason whatsoever on or before 90 days from its Invoice date for any reason whatsoever;
- (b) there exists any breach of any of Client's warranties, representations, covenants or promises in this Agreement or the Offer with regard to the Assigned Account;
- (c) the Assigned Account is or becomes subject to an Account Debtor Dispute, regardless of its merits or validity;
- (d) the Account Debtor asserts a claim, counterclaim, right of set-off or cross-claim of any kind whatsoever against Client or SBIF; or
- (e) SBIF deems itself insecure with respect to the Assigned Account in light of material changes in the creditworthiness of the Account Debtor or otherwise.

9.2 Upon receipt of a written notice from SBIF of a Recourse Account, identifying such Recourse account and specifying the name of the Account Debtor obligated to pay such Recourse Account and the amount remaining owing in respect of such Recourse Account, Client shall immediately repurchase such Recourse Account from SBIF for a repurchase price equal to the aggregate of (i) the outstanding balance of such Recourse Account plus (ii) the interest payable under Section 9.4 plus (iii) all costs and expenses of SBIF, including legal fees on a solicitor-client basis, incurred by SBIF in connection with such repurchase and any documents to be prepared or delivered in connection with same (the "Repurchase Price").

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9.3 Without limiting SBIF's other remedies under this Agreement or applicable law, upon the occurrence of an Event of Default, Client shall immediately upon demand by SBIF (whether written or oral) repurchase from SBIF all outstanding Assigned Accounts ("Default Recourse Accounts") for the aggregate of the amounts of the Repurchase Price for each outstanding Assigned Account calculated in accordance with Section 9.2 ("Default Repurchase Price")

9.4 SBIF shall be entitled to interest at a rate equal to the rate specified in Schedule "B" as "Interest Payable under Section 9.4"; such interest to be payable (i) in the case of a repurchase pursuant to Section 9.2, if the Recourse Account is in arrears, on the outstanding balance of the Recourse Account referenced in Section 9.2 from time to time from the day when such Recourse Account went into arrears until the day when payment of the Repurchase Price in full is made by Client and (ii) in the case of a repurchase pursuant to Section 9.3, on the aggregate outstanding balance of the Default Recourse Accounts from the day demand was made by SBIF until the day when payment of the Default Repurchase Price is made.

9.5 SBIF may deduct any amount payable by Client under Section 9.2 or 9.3 and Section 9.4, as applicable, from any amount payable to Client under this Agreement, and where such a deduction is made in relation to a Recourse Account or the Default Recourse Accounts, Client shall be deemed to have made a repayment in respect of the repurchase of such Recourse Account or the Default Recourse Accounts, as applicable.

9.6 Until such time as the Account Repurchase Price for a Recourse Account or the Aggregate Repurchase Price for the Default Recourse Accounts is paid or deemed to have been paid in full, such Recourse Account or the Default Recourse Accounts, as applicable, and all rights, title and interest therein and Corresponding Rights relating thereto shall remain vested in SBIF.

9.7 Where Client has paid, or is deemed to have paid, in full the Repurchase Price with respect to a Recourse Account or the Default Repurchase Price for the Default Recourse Accounts, then,

- (a) any remittance received by SBIF hereafter in respect of such Recourse Account or the Default Recourse Accounts, as applicable, shall be paid by SBIF to Client; and
- (b) upon the request and at the expense of Client, SBIF shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, all and every such further acts, assignments, transfers and assurances in law as Client may require in order to complete or perfect the re-assignment to Client of such Recourse Account or the Default Recourse Accounts, as applicable and all Corresponding Rights relating thereto.

## 10. DISPUTES WITH ACCOUNT DEBTORS

10.1 Client shall promptly notify SBIF of any dispute between Client and an Account Debtor concerning an Assigned Account (an "Account Debtor Dispute").

10.2 Client shall promptly issue credit notes for returned goods as accepted by Client from any Account Debtor obligated to pay an Assigned Account and provide SBIF with a copy of any credit note issued by Client to an Account Debtor as soon as that credit note is issued. Title to returned goods giving rise to an Assigned Account shall remain vested in SBIF and such returned goods shall be held by Client in trust for SBIF until SBIF has received payment in full of such Assigned Account and any Obligations of Client due and owing to SBIF relating thereto. In addition, Section 10.3 shall apply *mutatis mutandis* to returned goods as if the returned goods were repossessed goods.

10.3 At SBIF's request and notwithstanding the purchase by SBIF of an Assigned Account in respect of which there is an Account Debtor Dispute, Client shall exercise its rights as an unpaid vendor including Client's right of repossession, if any, with respect to any Assigned Account. Title to repossessed goods recovered from an Account Debtor obligated to pay an Assigned Account in respect to which there are monies due and owing to SBIF shall remain vested in SBIF and such repossessed goods shall be held by Client in trust for SBIF until SBIF has received payment in full of such Assigned Account and any Obligations of Client due and owing to SBIF relating thereto. At SBIF's request, Client shall use Client's best efforts to sell such goods for SBIF. Notwithstanding the repossession and sale of any goods by Client in accordance with this section, Client is not an employee or agent of SBIF and, for greater clarity, Client and SBIF are not partners or joint venturers with each other; and nothing in this section or elsewhere in this Agreement or done by Client or SBIF pursuant to this Agreement shall be construed so as to make Client and SBIF partners or joint venturers, to make Client an employee or agent of SBIF or to impose any liability as partner, joint venturer, employer or employee or principal or agent on Client or SBIF, as the case may be.

10.4 Client shall not institute legal or collection proceedings against any Account Debtor from whom monies are due and owing to SBIF with respect to an Assigned Account without obtaining SBIF's prior written consent thereto.

10.5 SBIF may commence legal or collection proceedings in respect of any unpaid Assigned Account against the Account Debtor obligated to pay such Assigned Account upon providing prior notice to Client. In cases of urgency, SBIF may commence such proceedings in its discretion without providing notice to Client. Upon SBIF advising Client of its intention to commence proceedings, Client may instruct SBIF not to proceed accompanied by payment in full to SBIF from Client of the total amount due and owing together with all interest accrued thereon and all costs and expenses of SBIF, including legal fees on a solicitor-client basis, incurred by SBIF in connection with such proceedings and any documents to be prepared or delivered in connection with same. SBIF may take any action it deems appropriate to collect from any Account Debtor any Assigned Account.

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10.6 Whether or not, under the terms of this Agreement or as a result of any breach of any term, condition, representation or warranty contained in this Agreement or any Offer made pursuant hereto, Client is responsible, in whole or in part, with respect to payment of any Assigned Account or any deficiency thereof, SBIF, without consultation or notice to Client, may, but is not obligated to, settle or compromise any Account Debtor Dispute involving such Assigned Account. Such settlement or compromise shall not relieve Client of its responsibility for payment to SBIF in full of any amount owing by it to SBIF with respect to such Assigned Account.

10.7 Mistaken, incorrect and/or erroneous invoicing, submitted by Client to SBIF may, at SBIF's discretion, be charged-back to Client.

10.8 SBIF shall identify in writing all charge-backs when taken and provide to Client a written statement thereof.

## 11. POWER OF ATTORNEY

11.1 In order to carry out this Agreement, Client irrevocably appoints SBIF or any Person designated by SBIF, its attorney or agent with power, exercisable at any time and from time to time, to:

- (a) notify Account Debtors that Client's Assigned Accounts have been assigned to SBIF and that SBIF is the owner of the Assigned Accounts;
- (b) direct Client's Account Debtors to make payment of all Assigned Accounts directly to SBIF and forward invoices directly to such Account Debtors;
- (c) strike out Client's address on all invoices and other documents relating to Assigned Accounts and Corresponding Rights mailed to Account Debtors and put SBIF's address on such invoices and documents;
- (d) receive, open and dispose of all mail addressed to Client at SBIF's address;
- (e) endorse the name of Client on any bills, notes, cheques, documents of title, leases, security or other documents or instruments that may come into the possession of SBIF in respect of Assigned Accounts or pursuant to default on any other documents relating to any of the Assigned Accounts or Corresponding Rights;
- (f) register, file or record in all jurisdictions any notice or financing statement in all offices where such registration, filing or recording is, in the sole and absolute opinion of SBIF or SBIF's counsel, necessary or advisable to constitute, perfect and maintain SBIF's interest in Assigned Accounts and/or in any Corresponding Rights;
- (g) in Client's name, or otherwise, demand, sue for, collect and give releases for any and all monies due or to become due on Assigned Accounts;
- (h) in Client's name to confirm and collect Accounts;
- (i) compromise, prosecute or defend any action, claim or proceeding as to Assigned Accounts; and
- (j) do any and all things necessary and proper to carry out the purpose intended by this Agreement and to protect SBIF's interest in the Assigned Accounts, and Corresponding Rights.

11.2 The power of attorney granted hereby shall be coupled with an interest.

11.3 SBIF shall not be liable or responsible to Client in any way whatsoever for any claims, costs, losses, damages of any kind, including, but not limited to, liability for any fundamental breach of this Agreement and regardless of the form of action, loss or damage suffered by Client as a result of any actions taken or not taken by SBIF pursuant to this Agreement, including any loss or damage arising by virtue of SBIF collecting or attempting to collect any Accounts from Account Debtors and any special, indirect, incidental or consequential damages which Client may incur or experience on account of entering into or relying upon this Agreement or action taken or not taken by SBIF pursuant to this Agreement.

## 12. DEFAULT AND REMEDIES

12.1 Any one of the following shall constitute an "Event of Default" hereunder:

- (a) Client shall become insolvent or commit an act of bankruptcy or make an assignment or bulk sale of its assets;
- (b) Client shall admit in writing or verbally its inability to pay its debts as they become due;

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- (e) any proceedings are taken with respect to a compromise or arrangement with any one or more of Client's creditors, or to have Client declared bankrupt or wound up, or to have a receiver or receiver and manager appointed with respect to Client or any of Client's assets;
- (d) receipt by Client of a notice of intention under section 244 of the *Bankruptcy and Insolvency Act* (Canada);
- (e) Client is found to be insolvent or bankrupt by a court of competent jurisdiction or makes a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada), seeks relief under the *Companies' Creditors Arrangement Act* (Canada), the *Winding Up Act* (Canada) or any other bankruptcy, insolvency or analogous law in Canada, files a petition or proposal to take advantage of any act of insolvency, consents to or acquiesces in the appointment of a trustee, receiver, receiver and manager, interim receiver, custodian or other person with similar powers over all or any substantial portion of its assets, files a petition or otherwise commences any proceeding seeking any reorganization, arrangement, composition or readjustment under any applicable bankruptcy, insolvency, moratorium, reorganization or other similar law affecting creditor's rights or consents to, or acquiesces in, the filing of such a petition or if a petition in bankruptcy is filed or presented against Client; or
- (f) any proceedings with respect to Client are commenced under the *Companies' Creditors Arrangement Act* (Canada);
- (g) Client terminates, discontinues or suspends the operation of its business as carried on at the date of this Agreement;
- (h) any person takes possession of any property of Client by way of or in contemplation of enforcement of security, or a distress or execution or similar process is levied or enforced against any property of Client;
- (i) a default occurs under any of the Security Documents;
- (j) Client is in default of its obligations with any other creditor;
- (k) any change in the legal or beneficial ownership or control of Client occurs without SBIF's prior written consent;
- (l) any representation or warranty made by Client herein or in any document, financial statement or certificate furnished or to be furnished by Client in connection herewith or in any Offer shall prove to be incorrect;
- (m) in SBIF's sole and absolute opinion, there is a material adverse change in Client's management, financial condition or business prospects or Client's ability to pay any amounts owing to SBIF has been, or threatens to be, impaired, worsened or diminished;
- (n) Client fails to pay or reimburse SBIF, as the case may be, any monetary Obligations as and when the same shall become due;
- (o) Client fails to perform any of its Obligations as or when the same are required to be performed; or
- (p) any report, financial statements, list of accounts receivable, statement or other information furnished by or on behalf of Client to SBIF under or pursuant to or in connection with this Agreement or any Offer shall be false, erroneous or misleading in any respect.

12.2 In addition to any other remedies available to SBIF under this Agreement or any other agreements with Client or applicable law, upon and after the occurrence of an Event of Default, SBIF may do any one or more of the following without notice or demand to Client, except as expressly required under this Agreement:

- (a) enforce against Client immediate payment of all of its Obligations to SBIF;
- (b) require Client to assemble all deeds, documents, writings, papers, books of account, other books, electronic and magnetic records and other records evidencing, recording or appertaining to Assigned Accounts and Corresponding Rights and make them available to SBIF at a place designated by SBIF;
- (c) take control in any manner of any reclaimed, rejected, returned, repleved, stopped in transit or redeposited goods relating to any Assigned Account;
- (d) enter the premises of Client and take possession of the records pertaining to the Assigned Accounts and Corresponding Rights including, to the extent not in SBIF's possession, the Account Records;
- (e) enforce the Security Documents and exercise all or any of its rights under the Security Documents and the rights and remedies of a secured party under the PPSA or as a creditor under any other applicable law or at equity;

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- (f) grant extensions, compromise claims and settle Assigned Accounts for less than their value, without prior notice to Client;
- (g) return any surplus realized to Client after the Assigned Accounts have been paid in full and all of the Obligations of Client have been fully performed and paid or otherwise satisfied;
- (h) if the Assigned Accounts are not paid in full or all of the Obligations of Client are not fully performed and paid or otherwise satisfied, hold Client liable for any deficiency;
- (i) require, by instrument in writing, that Client appoint, or institute proceedings in any court of competent jurisdiction for the appointment of, any Person (including SBIF) or Persons as are acceptable to SBIF to monitor the activities of Client generally and to verify compliance by Client of its obligations hereunder (a "Monitor");
- (j) charge interest on any monetary Obligations outstanding at the highest rate permissible by law until such Obligations are paid in full, which interest shall become part of and added to the Obligations.

12.3 All rights, remedies and powers granted to SBIF herein are cumulative and may be exercised concurrently or separately from time to time with such other rights as SBIF may have. These rights afforded SBIF shall be in addition to any rights or remedies provided for elsewhere in this Agreement or available in law or equity.

12.4 In the event of any default, SBIF shall not be required or be under any obligation to marshal any assets in favour of Client or any guarantor or any other party.

### 13. INDEMNITY

13.1 Client shall indemnify and hold SBIF harmless from any and all liability, obligations, claims, losses, damages, actions and suits, costs and expenses in any way relating to or resulting from this Agreement or any Offer made pursuant thereto, including, without limitation, counsel fees, costs of suit and interest which SBIF may incur due to the failure of Client to perform any of its obligations under this Agreement and including, without limitation, the failure of Client to pay withholding taxes due and payable to any taxing authority. If Client fails to perform any of its obligations, SBIF may, but shall not be obligated to, perform any of those obligations, and Client shall pay to SBIF, immediately upon written demand, an amount equal to the expense incurred by SBIF in performing those obligations.

13.2 Client shall indemnify and hold SBIF harmless from and against any and all liability, obligations, losses, damages, costs and expenses including, without limitation, counsel fees, costs of suit and interest which SBIF may incur in connection with any claim whatsoever by an Account Debtor against SBIF or arising in any manner from SBIF collecting or attempting to collect any monies in respect of any Assigned Account.

### 14. TERM AND TERMINATION

14.1 Subject to earlier termination as provided in Section 14.2, this Agreement shall commence on the date hereof and continue in full force and effect for the period specified in Schedule "B" as the "Term".

14.2 After the expiration of the period specified in Schedule "B" as the "Minimum Term", the Client may terminate this Agreement by written notice to SBIF not less than 30 days prior to the effective date of termination stipulated in such notice. SBIF may terminate this Agreement (i) at any time for its convenience by written notice to the Client not less than 30 days prior to the effective date of termination stipulated in such notice or (ii) immediately upon written or oral notice to the Client upon the occurrence of an Event of Default.

14.3 Notwithstanding the termination of this Agreement, the provisions of this Agreement shall continue in full force and effect with respect to the Assigned Accounts purchased by SBIF prior to such termination and all of SBIF's rights and interests expressed or implied hereunder shall survive expiry of this Agreement and any termination and shall continue in full force and effect until all Assigned Accounts and all of the Client's Obligations have been fully performed and paid.

14.4 Notwithstanding the provisions of this Section 14, Client agrees that SBIF shall be entitled to earn, at a minimum, aggregate discounts specified in Schedule "B" (the "Minimum Discounts") during the first 12 months following the signature of this Agreement. In the event that SBIF does not earn the Minimum Discounts during such 12 month period, whether due to termination of this Agreement or otherwise, then, upon the earlier of:

- (a) the effective date of termination of this Agreement; and
- (b) the first anniversary of the signature of this Agreement, Client will pay to SBIF a fee, equal to the Minimum Discounts minus the aggregate discounts earned by SBIF up to and including such date.

## 15. GENERAL

15.1 Client and SBIF hereby acknowledge and agree that each Schedule attached to this Agreement or referenced in this Agreement shall be read with and form part of this Agreement.

15.2 All provisions in this Agreement, or in any Schedule referred to herein or attached hereto, which refer to "goods", shall be read *mutatis mutandis* so as to include any "services" provided by Client to Account Debtors.

15.3 If any of Client's shareholders, directors or officers have any interest, directly or indirectly, in an Account Debtor, Client shall not include in any Offer any account that such Account Debtor is obligated to pay without notifying SBIF in advance of such interest.

15.4 All notices and other communications which may be given to any party pursuant to this Agreement shall be given or made in writing and shall be served personally or by facsimile transmission or mailed by prepaid and registered mail (return receipt requested) addressed to such party at its usual business address or to such other address or in care of such other Persons as any party may from time to time advise the other by notice in writing. The date of receipt of any such notice or communication shall be deemed to be the date of delivery thereof if served personally or, if served by facsimile transmission, the date of transmission thereof or, if mailed as aforesaid, the date next following the first Business Day next following the date of posting. In the event of interruption of one or more of the forms of communication listed above for any reason, the parties shall use a form of communication which is not so interrupted with the intent that the form of communication used will give the addressee timely notice of the communication.

15.5 Any amounts owing by Client to SBIF hereunder shall be payable to SBIF without the necessity of demand.

15.6 SBIF shall be at liberty to appropriate any payment made to, or monies received by, SBIF from Client, including any monies in any reserve account, to any portion of the amounts due or to become due under this Agreement or in respect of any Assigned Account, and from time to time to revoke or alter any such appropriation, all as SBIF may from time to time in its sole discretion determine.

15.7 Each party hereto shall from time to time execute, draw, endorse and deliver all such instruments and documents and do all such acts and things as the other party hereto may reasonably deem necessary or desirable for the purposes of carrying into effect any or all of the provisions of this Agreement or any documents delivered hereunder or of securing the fulfilment of all the obligations of one party to the other party hereunder.

15.8 No failure or delay on the part of either party in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No modification or waiver of any provision of this Agreement nor consent to any departure by any party therefrom shall in any event be effective unless the same shall be in writing and then such waiver or consent shall be effective only in the specific instances and for the given purpose. No notice to any party in any case shall entitle the other party to any other or further notice in similar or other circumstances.

15.9 Any provisions of this Agreement or any documents delivered hereunder prohibited by law shall be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof.

15.10 This Agreement and the schedules and addenda attached hereto shall constitute the entire agreement between the parties hereto with respect to the matters described herein and shall supersede all prior agreements, arrangements, undertakings, understandings, collateral agreements and representations, whether oral or written, relative to such matters. This Agreement shall not be amended except by an amending agreement in writing signed by the parties hereto.

15.11 The undersigned hereby confirm their express wish that this Agreement and any documents related hereto be drawn up in English only and declare themselves to be satisfied therewith, without prejudice to any documents which may, from time to time, be drawn up in French only or in both French and English. Les soussignés confirment leur volonté expresse de voir la présente convention et tous les documents s'y rattachant rédigés en anglais seulement et s'en déclarent satisfaits, le tout, cependant, sous réserve de tout document qui pourrait à l'occasion être rédigé en français seulement ou à la fois en français ou en anglais.

15.12 Words importing the singular number only shall include the plural and vice versa. Words importing the use of any gender shall include all genders. Where used herein, the word "or" is disjunctive but not necessarily exclusive. If Client is not a corporation, Client agrees that all necessary amendments shall be made to embody the true judicial nature of Client and, accordingly, this Agreement is amended *mutatis mutandis* to reflect such fact.

15.13 All section headings in this Agreement are for convenience only and do not form part of this Agreement.

15.14 This Agreement shall ensure to and be binding upon the parties hereto, their successors, permitted assigns, trustees and legal representatives.

15.15 SBIF may assign its interest in this Agreement to any Person without the prior written consent of Client. Client may not assign its interest in this Agreement to any Person without the prior written consent of SBIF.



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15.16 Except as is prohibited by law, SBIF shall be entitled to charge Client for all costs and expenses incurred by SBIF in connection with this Agreement, including, without limitation, the costs of obtaining credit reports on Client or its Account Debtors, legal fees (on a solicitor-client basis) and costs incurred by SBIF in the negotiation, preparation and execution of this Agreement and any documents related thereto and in the prosecution or enforcement of any of SBIF rights, claims or causes of action which arise out of, relate to or pertain to this Agreement and the Obligations, including all legal fees, interest and other costs and expenses incurred in connection with any bankruptcy or insolvency proceeding involving Client. Such costs and expenses and legal fees incurred shall be paid on demand by Client.

15.17 Except where otherwise expressly provided, all amounts in this Agreement and/or in any Schedule attached or referred to herein are stated and shall be paid in Canadian currency. Client acknowledges and agrees that it shall be responsible for the costs (including, without limitation, bank service charges and exchange rates) of converting funds to or from Canadian currency and hereby consents to the exchange rate and service charges charged by SBIF's bank in respect of same.

15.18 Client acknowledges receipt of a true copy of this Agreement.

15.19 This Agreement becomes effective when it is executed in the places indicated below by authorized representatives of Client and SBIF.

15.20 This Agreement shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes, including matters of construction, validity, performance and enforceability to be governed by the laws of such Province, and the courts of such Province shall have exclusive jurisdiction over all matters arising in connection herewith. Client hereby consents to the exclusive jurisdiction of the courts located within the Province of Ontario and hereby unconditionally waives its right to a jury trial in any suit or proceeding arising under or relating to this Agreement.

CLIENT ACKNOWLEDGES AND CONFIRMS THAT IT HAS REVIEWED THE CONTENTS OF THIS AGREEMENT AND SCHEDULES A AND B WHICH ARE DEEMED TO BE INCLUDED AS PART OF THIS AGREEMENT, THAT IT HAS HAD AN OPPORTUNITY TO SEEK THE ADVICE OF LEGAL AND OTHER COUNSEL PRIOR TO EXECUTING THIS AGREEMENT AND THAT IT HAS AVAILED ITSELF OF SUCH OPPORTUNITY AND OBTAINED WHATEVER ADVICE NECESSARY TO ENSURE THAT IT FULLY UNDERSTANDS AND APPRECIATES ITS RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

3886727 CANADA INC.

Per: 

Name: Dobbie Polczynski  
Title: President

I have the authority to bind the Corporation

SPROTT BRIDGING INCOME FUND LP,  
By its general partner,  
SPROTT GENPAR LTD.

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

Name: Kevin Westfall  
Title: Director

I have the authority to bind the Corporation

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15.16 Except as is prohibited by law, SBIF shall be entitled to charge Client for all costs and expenses incurred by SBIF in connection with this Agreement, including, without limitation, the costs of obtaining credit reports on Client or its Account Debtors, legal fees (on a solicitor-client basis) and costs incurred by SBIF in the negotiation, preparation and execution of this Agreement and any documents related thereto and in the prosecution or enforcement of any of SBIF's rights, claims or causes of action which arise out of, relate to or pertain to this Agreement and the Obligations, including all legal fees, interest and other costs and expenses incurred in connection with any bankruptcy or insolvency proceeding involving Client. Such costs and expenses and legal fees incurred shall be paid on demand by Client.

15.17 Except where otherwise expressly provided, all amounts in this Agreement and/or in any Schedule attached or referred to herein are stated and shall be paid in Canadian currency. Client acknowledges and agrees that it shall be responsible for the costs (including, without limitation, bank service charges and exchange rates) of converting funds to or from Canadian currency and hereby consents to the exchange rate and service charges charged by SBIF's bank in respect of same.

15.18 Client acknowledges receipt of a true copy of this Agreement.

15.19 This Agreement becomes effective when it is executed in the places indicated below by authorized representatives of Client and SBIF.

15.20 This Agreement shall be deemed to be a contract made under the laws of the Province of Ontario and for all purposes, including matters of construction, validity, performance and enforceability be governed by the laws of such Province, and the courts of such Province shall have exclusive jurisdiction over all matters arising in connection herewith. Client hereby consents to the exclusive jurisdiction of the courts located within the Province of Ontario and hereby unconditionally waives its right to a jury trial in any suit or proceeding arising under or relating to this Agreement.

CLIENT ACKNOWLEDGES AND CONFIRMS THAT IT HAS REVIEWED THE CONTENTS OF THIS AGREEMENT AND SCHEDULES A AND B WHICH ARE DEEMED TO BE INCLUDED AS PART OF THIS AGREEMENT, THAT IT HAS HAD AN OPPORTUNITY TO SEEK THE ADVICE OF LEGAL AND OTHER COUNSEL PRIOR TO EXECUTING THIS AGREEMENT AND THAT IT HAS AVAILED ITSELF OF SUCH OPPORTUNITY AND OBTAINED WHATEVER ADVICE NECESSARY TO ENSURE THAT IT FULLY UNDERSTANDS AND APPRECIATES ITS RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

3886727 CANADA INC.

Per: 

Name: Debbie Potrynski  
Title: President

I have the authority to bind the Corporation

SPROTT BRIDGING INCOME FUND LP,  
By its general partner,  
SPROTT GENPAR LTD.

Per: 

Name: Kevin Westfall  
Title: Director

I have the authority to bind the Corporation

SCHEDULE "A"

TO: **SPROTT BRIDGING INCOME FUND LP**

OFFER TO SELL APPROVED ACCOUNTS

We hereby offer to sell you the following Accounts under the terms and conditions of our Master Factoring Agreement dated the ● day of ●, 20● (the "Agreement"):

SCHEDULE OF ACCOUNTS						
Debtor Ref. No.	Debtor Name	Invoice Number	Invoice Date	Gross Face Value	Purchase Order No.	Description

We certify that the Account Debtors named above are indebted to the undersigned in the amounts set opposite their respective names, for goods sold or leased and delivered or for services rendered.

We hereby represent and warrant to Sprott Bridging Income Fund LP that as at the date hereof:

- (a) the goods sold or leased and delivered and the services rendered that gave rise to the invoices listed above are in accordance with the specifications and requirements of the Account Debtors obligated to pay such invoices, in good appearance, repair and working order, and without defect or inherent vice in condition, design, merchantability, operation or fitness for the purpose of use of such Account Debtors and have been approved and accepted by such Account Debtors;
- (b) the representations and warranties given by us and contained in the Agreement are true and correct in all respects as though made on and as of the date hereof;
- (c) we have satisfied or complied with all requirements set forth in the Agreement to be satisfied or complied with on or prior to the date hereof;
- (d) no default under the Agreement has occurred and is continuing on the date hereof;
- (e) each of the Accounts listed above except as otherwise noted is an Approved Account;
- (f) none of our shareholders, directors or officers have any interest, directly or indirectly in any of the Account Debtors named above, except as disclosed to SBIF prior to the date of this Offer;

- (g) attached to this Offer is all relevant documentation in respect of the Accounts; and
- (h) we have obtained, and there are in full force and effect, such insurance policies as are required to be obtained under Section 6.1(f) of the Agreement.

Date:

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

Name:  
Title:

ACCEPTED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_.

**SPROTT BRIDGING INCOME FUND LP**  
By its general partner,  
**SPROTT GENPAR LTD.**

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

Name:  
Title:

## Attachments (tick applicable):

- An ACKNOWLEDGEMENT from the Customer(s) obligated to paying such Account in the form attached as Schedule "A" to this Offer.
- Evidence of insurance in accordance with Section 6.1(f) of the Agreement.
- A copy of the purchase order under which such Account arose (the "Purchase Order") as delivered by the Customer(s) obligated to pay such Account and/or other contract or instrument under which such Account arose, as applicable.
- A copy of the invoice relating to such Account and Purchase Order and/or other contract or instrument (an "Invoice").
- Client's copies of financing statements or other registrations effected in connection with goods sold to a Customer under a conditional sale contract or leased to a Customer or in respect of any other arrangement which gives rise to such Account where Client continues to have a security interest in goods provided by Client to the Customer.
- Any documents of title, instruments of payment, security, guarantees or other relevant documentation as may exist relating to or evidencing such Account.
- A copy of any outstanding credit memorandum issued in relation to such Account.
- The bill of lading for any shipment which gives rise to such Account.
- Particulars of any credit arrangement granted to the Customer responsible for paying such Account, together with copies of credit agency, bank and trade reports.

SCHEDULE "A" TO OFFER**NOTICE OF ASSIGNMENT OF ACCOUNTS RECEIVABLE**

RE:

Attention: Accounts Payable Manager / Supervisor

We are pleased to inform you that we have entered in to a financial relationship with Spratt Bridging Income Fund LP ("Spratt"). The availability to Spratt's vast resources will enable us not only to accelerate the growth and development of our business, but also allows us to maintain the high standard of service to which you have become accustomed.

As part of our program, we have assigned our right, title and interest in all present and future accounts due from you, to Spratt. Accordingly, all payments due to <CLIENT LEGAL NAME>, now or in the future, are to be made payable and remitted directly to:

Spratt Bridging Income Fund LP 77 King Street West, Suite 2925 Toronto, Ontario M5K 1K7
---

This notice of assignment and payment instructions remain in full force and effect until Spratt advises you to the contrary in writing. Please note that Spratt's receipt of payment is the only valid discharge of the debt and that Spratt's interests have been duly registered with the appropriate Provincial statutes.

Although this notification is effective upon receipt by you, in order to better assist in correctly applying your payments, we respectfully request you complete and return a copy of this notice to Spratt by fax to (416) 644-3003, by mail at the address above, or by email at [accounts@bridgingfactor.ca](mailto:accounts@bridgingfactor.ca). If not correctly noted above, please provide your correct address, phone and fax number below.

Should you be, or become aware of any disputes, contra, or any other reason for non-payment, please contact Spratt immediately at (855) 614-6444. We thank you in advance for your cooperation in the administration of our program, and we look forward to better serving your needs.

Very truly yours,

&lt;CLIENT LEGAL NAME&gt;

Spratt Bridging Income Fund LP  
 By its general partner,  
 Spratt Genpar Ltd.

&lt;PRINCIPAL NAME&gt; -- President

Kevin Westfall -- Director

Please complete and return by fax to (416) 644-3003, by mail at the address above, or email at <a href="mailto:accounts@bridgingfactor.ca">accounts@bridgingfactor.ca</a>	
Received by:	Address:
Position:	
Phone:	City:
Fax:	Province/ State :
e-mail	Postal Code /Z/p:

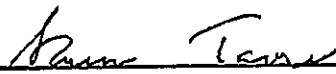
SCHEDULE "B"

**Purchase Limit:** \$1,000,000 (Section 4.5)  
**Purchase Discount:** 0.85% of the Gross Face Value of the Assigned Account plus an additional 0.022% per day will be charged on the last day of each month for any Assigned Account outstanding 30 days from the date such account became an Assigned Account until payment has been received by BCI. In addition, on the last day of each month, a fee equal to the Bank of Montreal prime rate plus three percent (3%) per annum on prepayments for Assigned Accounts will be charged. Any payment received after 1:00PM shall be deemed to be received by SBIF the next Business Day. 25% of the Purchase Discount shall represent a facility fee. (Section 4.1)  
**Reserve Holdback:** 10% (Section 4.7)  
**Term:** 12 months (Section 14.1)  
**Minimum Term:** 0 months (Section 14.1)  
**Minimum Discounts:** \$0 (Section 14.4)  
**Bank Account (for wire deposits):** \_\_\_\_\_ (Section 3.3)  
**Interest payable under section 9.4:** 2.5%  
**Location of Goods or Services:** 3600 Laird Road, Unit 11, Mississauga, Ontario, L5L 6A6 (Section 5.1(1)(ii))  
 (IF ANY OF THE ITEMS LISTED ABOVE DO NOT APPLY, PLEASE INDICATE BY WRITING "N/A" IN THE SPACE PROVIDED.)

PLEASE READ CAREFULLY: THIS PAGE CONTAINS IMPORTANT TERMS AND CONDITIONS

INITIALS: 

THIS IS EXHIBIT "E" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

DEMAND GRID PROMISSORY NOTEDate: June 19, 2015

FOR VALUE RECEIVED the undersigned hereby unconditionally promises to pay on the earlier of (i) DEMAND and (ii) 365 days following the date hereof, to Sproit Bridging Income Fund LP (the "Lender") or order at 77 King Street West, Suite 2929, Toronto, Ontario, M5K 1K7 or such other place as the Lender may direct in writing the lesser of THREE HUNDRED AND FIFTY THOUSAND DOLLARS (\$350,000) and so much thereof as may be owing to the Lender by the Debtor from time to time according to the records of the Lender together with interest thereon calculated from the date hereof on the average daily balance of such sum and payable all as set out below at the same place, both before and after demand, maturity, default and judgment, at a nominal rate per annum of the Bank of Montreal Prime Rate (being the floating annual rate of interest established from time to time by Bank of Montreal as the base rate it will use to determine rates of interest on Canadian dollar loans to customers in Canada and designated as Prime Rate) plus THIRTEEN POINT FIVE (13.5%) percent and interest on overdue interest payable at the same time, place and rate until this promissory note has been indefeasibly repaid in full.

Payments of interest only shall be payable monthly on the last business day of each calendar month (a "Payment Date") commencing the month hereof.

The maximum amount outstanding under this promissory note shall not at any time exceed the lesser of: (i) \$350,000; and (ii) 75% of the forced sale value (as determined appraisals to be conducted from time to time at the request of the Lender at the expense of the undersigned by appraisers satisfactory to the Lender in its sole discretion) of the eligible finished goods inventory of undersigned (such eligibility to be determined by the Lender from time to time in its sole discretion).

The unpaid principal amount due hereunder may be reduced to zero from time to time without affecting the validity of this note. The amounts outstanding from time to time under this promissory note as evidenced on the grid schedule attached hereto shall, in the absence of manifest error, be conclusive and binding on the undersigned; provided that notwithstanding the state of the grid schedule attached hereto, the failure of the Lender to record any amounts owing hereunder on the grid schedule attached hereto shall not affect the obligation of the undersigned to pay to the Lender the amounts due and payable by the undersigned hereunder.

Any payment hereunder shall be made at the Lender's office as set out above prior to 1:00 p.m. (Toronto time) on the last business day of each month. Any payments received by the Lender after 1:00 p.m. (Toronto time) on the day payable shall be deemed to have been made and to have been received by the Lender on the next business day. Notwithstanding the foregoing, provided that payment is received prior to 4:00 p.m. (Toronto time) on the day payable, such payment shall not constitute a default in payment under this promissory note.

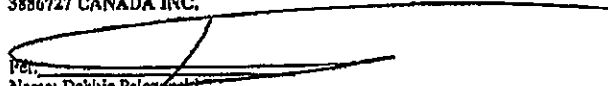
The undersigned shall pay a monthly monitoring fee of \$350.00 on each Payment Date for any month where there is an amount outstanding under this promissory note.

Twenty-five (25%) percent of the interest and monitoring fee payable hereunder shall be a facility fee.

A default under the Factor Agreement or any other agreement between the Lender and the undersigned shall be a default under this promissory note.

The undersigned waives presentment for payment, notice of dishonour, protest and notice of protest in respect of this promissory note.

3886727 CANADA INC.


  
 Per: \_\_\_\_\_  
 Name: Dobbie Pelczynski  
 Title: President  
 I have authority to bind the Corporation.



SCHEDULEADVANCES AND PAYMENTS OF PRINCIPAL AND INTEREST

Date	Amount of Advance	Amount of Principal Paid	Aggregate Unpaid Principal Balance	Notation made by

THIS IS EXHIBIT "F" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
\_\_\_\_\_  
A Commissioner, etc.

Sprott  Bridging Income Fund LP.

GENERAL SECURITY AGREEMENT

This General Security Agreement dated this 19 day of June, 2015 is made by 3886727 Canada Inc., a corporation incorporated under the laws of the Province of Ontario (the "Corporation") to and in favour of Sprott Bridging Income Fund LP, a limited partnership under the laws of the Province of Ontario (the "Secured Party").

**RECITALS:**

A. The Secured Party has agreed to make a certain factor facility available to the Corporation pursuant to a factor agreement of even date herewith between the Corporation and the Secured Party (as the same may be amended, supplemented, extended, renewed, restated or replaced from time to time, the "Factor Agreement");

For valuable consideration, the receipt and sufficiency of which are hereby conclusively acknowledged by the Corporation, the Corporation hereby agrees in favour of the Secured Party as follows:

**I. SECURITY INTEREST**

- (a) For valuable consideration, the Corporation hereby grants, assigns, transfers, mortgages and charges to the Secured Party, as and by way of a fixed and specific mortgage and charge, and grants to the Secured Party a security interest in, all of the Corporation's present and after-acquired property including, without limitation, all goods (including inventory and equipment), accounts, chattel paper, documents of title, instruments, intangibles, money, securities and all other investment property now owned or hereafter acquired by or on behalf of the Corporation (and all rights and interests now or hereafter held by or on behalf of the Corporation with respect to any of the foregoing) and also including, without limitation:
- (i) all accounts and book debts and generally all debts, dues, claims, choses in action and demands of every nature and kind howsoever arising or secured, including, without limitation, letters of credit and advices of credit, which are now due, owing or accruing or growing due to or owned by the Corporation or which may hereafter become due, owing or accruing or growing due to or owned by Corporation (collectively, "Debts");
  - (ii) all deeds, documents, writings, papers, books of account and other books relating to or being records of Debts, chattel paper or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable;
  - (iii) all contractual rights and insurance claims;
  - (iv) all patents, industrial designs, trade-marks, trade secrets and know-how including without limitation confidential information, trade-names, goodwill, copyrights, software and all other forms of intellectual and industrial property, and any registrations and applications for registration of any of the foregoing (collectively, "Intellectual Property") and including, without limitation, the Intellectual Property listed in Schedule "A" attached hereto; and
  - (v) all proceeds of any of the foregoing.
- (all of the property described in this paragraph (a) is herein collectively called the "Collateral").
- (b) The grants, assignments, transfers, mortgages, charges and security interests to and in favour of the Secured Party herein created are collectively called the "Security Interest".
- (c) The Security Interest granted hereby shall not extend or apply to, and the Collateral shall not include, the last day of the term of any lease or agreement therefor; however, the Corporation will hold such last day in trust for the Secured Party and upon the enforcement of the Security Interest the Corporation will assign the same as directed by the Secured Party.
- (d) The terms "accessions", "accounts", "chattel paper", "documents of title", "equipment", "goods", "instruments", "intangibles", "inventory", "investment property", "money", "proceeds", and "securities" (including any singular or plural variation of any of the foregoing) whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Personal Property Security Act* (Ontario), as amended from time to time (the "PPSA").
- (e) The terms "certificated security", "entitlement holder", "entitlement order", "financial asset", "issuer", "limited liability company", "security", "security certificate", "securities account", "security entitlement", "securities intermediary" and "uncertificated security" (including any singular or plural variation of any of the foregoing) whenever used herein shall be interpreted pursuant to the respective meanings given to such words in the *Securities Transfer Act* (Ontario), as amended from time to time (the "STA"); provided that, when used herein, the terms "certificated security"

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and "uncertificated security" shall be understood to mean a certificated security or uncertificated security, as the case may be, that is held directly by and registered in the name of or endorsed to the Corporation and not a certificated security or uncertificated security to which the Corporation has a security entitlement.

- (f) Any reference hereinafter to the "Collateral" shall, unless the context otherwise requires, be deemed a reference to the "Collateral or any part thereof".
- (g) All capitalized terms used herein and not otherwise defined shall have the same meanings herein as are ascribed to such terms in the Factor Agreement.

## 2. INDEBTEDNESS SECURED

The Security Interest granted hereby secures payment and satisfaction of any and all obligations, indebtedness and liability of the Corporation to the Secured Party (including interest thereon), present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, wheresoever and howsoever incurred including, without limitation, pursuant to the Factor Agreement, and any ultimate unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again and whether the Corporation be bound alone or with another or others and whether as principal or surety (hereinafter collectively called the "Indebtedness"). If the Security Interest in the Collateral is not sufficient to satisfy all Indebtedness of the Corporation, the Corporation acknowledges and agrees that the Corporation shall continue to be liable for any Indebtedness remaining outstanding and the Secured Party shall be entitled to pursue full payment thereof.

## 3. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

The Corporation represents and warrants, and so long as this Security Agreement remains in effect shall be deemed to continuously represent and warrant, that:

- (a) the Collateral is owned by the Corporation free and clear of any and all liens, security interests, charges, leasehold interests or other encumbrances other than encumbrances consented to in writing by the Secured Party and that the Corporation's business operations, its records, and the Collateral are all located at the locations specified in Schedule "B" attached hereto;
- (b) each agreement, if any, that the Corporation may enter into with a securities intermediary which governs any securities account included in the Collateral or to which any Collateral that is investment property may be credited will either (i) specify that the Province of Ontario is the security intermediary's jurisdiction for the purposes of the PPSA and the STA or (ii) is expressed to be governed by the laws of the Province of Ontario; and
- (c) none of the Collateral that is an interest in a partnership or a limited liability company:
  - (i) is dealt in or traded on any securities exchange or in any securities market;
  - (ii) expressly provides by its terms that it is a "security" for the purposes of the STA or any other similar provincial legislation; or
  - (iii) is held in a securities account,
 except for any Collateral of which the Secured Party or its nominee has "control" within the meaning of Section 1(2) of the PPSA.

## 4. COVENANTS OF THE CORPORATION

So long as this Security Agreement remains in effect, the Corporation covenants and agrees:

- (a) to defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein; not to sell, exchange, transfer, assign, lease, or otherwise dispose of the Collateral or any interest therein without the prior written consent of the Secured Party; provided always that, until an Event of Default, the Corporation may, in the ordinary course of the Corporation's business, sell inventory;
- (b) to notify the Secured Party promptly of:
  - (i) any change in the information contained herein or in the Schedules hereto relating to the Corporation, the Corporation's business or the Collateral including without limitation:
    - (1) any change in the name of the Corporation;

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- (2) any change in the place of business of the Corporation or, if the Corporation has more than one place of business, in the chief executive office of the Corporation; and
- (3) any change in the location of the Collateral;
- (ii) the Vehicle Identification Number (as prescribed by the regulations made under the PPSA for use in registrations under the PPSA), model year, make and model of any motor vehicle (as such term is defined in the regulations made under the PPSA) at any time included in the Collateral which is held as equipment, including in circumstances where the Corporation ceased holding the same as inventory and began holding the same as equipment;
- (iii) the details of any material claims or material litigation affecting the Corporation or the Collateral; and
- (iv) any material loss or material damage to the Collateral;
- (c) to keep the Collateral in good order, condition and repair and not to use the Collateral in violation of the provisions of this Security Agreement or any other agreement relating to the Collateral or any policy insuring the Collateral or any applicable statute, law, by-law, rule, regulation or ordinance;
- (d) to do, execute, acknowledge and deliver such financing statements and further assignments, transfers, documents, acts, matters and things as may be reasonably requested by the Secured Party of or with respect to the Collateral in order to give effect to this Security Agreement and to pay all costs for searches and filings in connection therewith; and, after the occurrence of an Event of Default under this Security Agreement, the Corporation hereby appoints the Secured Party or any officer or manager from time to time of the Secured Party the irrevocable attorney of the Corporation (with full power of substitution and delegation) to sign all documents and take such action as may be required to give effect to this provision;
- (e) to pay all taxes, rates, levies, assessments and other charges of every nature which may be lawfully levied, assessed or imposed against or in respect of the Corporation or the Collateral as and when the same become due and payable;
- (f) to insure the Collateral for such periods, in such amounts, on such terms and against loss or damage by fire and such other risks as the Secured Party shall reasonably require with loss payable, *inter alia*, to the Secured Party and the Corporation, as insureds, as their respective interests may appear, and to pay all premiums therefor;
- (g) to carry on and conduct the business of the Corporation in an efficient manner and so as to protect and preserve the Collateral and to keep, in accordance with generally accepted accounting principles, consistently applied, proper books of account for the Corporation's business as well as accurate and complete records concerning the Collateral, and mark any and all such records and the Collateral at the Secured Party's request so as to indicate the Security Interest and to deliver to the Secured Party from time to time promptly upon request:
  - (i) copies of any documents of title, instruments, chattel paper, securities and any other investment property constituting, representing or relating to the Collateral
  - (ii) all financial statements prepared by or for the Corporation regarding the Corporation's business;
  - (iii) all policies and certificates of insurance relating to the Collateral; and
  - (iv) such information concerning the Collateral, the Corporation and the Corporation's business and affairs as the Secured Party may reasonably request; and
- (h) to notify the Secured Party prior to initiating any insolvency proceeding, the effect of which would be to stay the Secured Party from enforcing security interests created by this Agreement, under the *Bankruptcy and Insolvency Act (Canada)*, *Companies' Creditors Arrangement Act (Canada)* or otherwise.

#### 5. COVENANTS OF THE CORPORATION - INVESTMENT PROPERTY

- (a) To enable the Secured Party to better perfect and protect its security interest in the investment property included in the Collateral, promptly upon request from time to time by the Secured Party, acting reasonably, the Corporation shall:
  - (i) deliver (or cause to be delivered) to the Secured Party, endorsed to the Secured Party or such nominee as it may direct and/or accompanied by such instruments of assignment and transfer in such form and substance as the Secured Party may reasonably request,
    - (A) any and all certificated securities included in or relating to the Collateral; and

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- (B) any instruments, letters of credit, documents of title and chattel paper included in or relating to the Collateral;
- (ii) direct the issuer of any and all certificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the applicable security certificates in the name of the Secured Party or such nominee as it may direct;
- (iii) direct the issuer of any and all uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request to register the Secured Party or such nominee as it may direct as the registered owner of such uncertificated securities; and
- (iv) direct the securities intermediary for any security entitlements or securities accounts included in or relating to the Collateral as the Secured Party may specify in its request to transfer any or all of the financial assets to which such security entitlements or securities accounts relate to such securities account or securities accounts as the Secured Party may specify such that the Secured Party shall become the entitlement holder with respect to such financial assets or the Person entitled to exercise all rights with respect to such securities account.
- (b) Promptly upon request from time to time by the Secured Party, noting reasonably, the Corporation shall give its consent in writing to:
- (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral as the Secured Party may specify in its request of a Control Agreement (as hereinafter defined) with the Secured Party in respect of such uncertificated securities, which consent may be incorporated into an agreement to which such issuer, the Secured Party and the Corporation are parties; and
- (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral as the Secured Party may specify in its request, of a Control Agreement with the Agent in respect of such securities accounts or securities entitlement, which consent may be incorporated into an agreement to which such securities intermediary, the Secured Party and the Corporation are parties.
- (c) The Corporation covenants that it will not consent to, and represents and warrants to the Secured Party that it has not heretofore consented to:
- (i) the entering into by any issuer of any uncertificated securities included in or relating to the Collateral of a Control Agreement that remains in effect at the date hereof in respect of such uncertificated securities with any person other than the Secured Party or such nominee or agent as it may direct; or
- (ii) the entering into by any securities intermediary for any securities accounts or security entitlements included in or relating to the Collateral of a Control Agreement that remains in effect at the date hereof with respect to such securities accounts or security entitlements with any Person other than the Secured Party or such nominee or agent as it may direct.
- (d) The Corporation shall not enter into any agreement with any securities intermediary that governs any securities account included in or relating to any Collateral that specifies any such securities intermediary's jurisdiction to be a jurisdiction other than the Province of Ontario for the purposes of the STA or which is governed by the laws of a jurisdiction other than the Province of Ontario or consent to any amendment to any such agreement that would change such securities intermediary's jurisdiction to a jurisdiction other than the Province of Ontario for the purposes of the STA or its governing law to a jurisdiction other than the Province of Ontario unless it has given the Secured Party at least forty-five (45) days notice of any such agreement or amendment.
- (e) In the event that the Corporation hereafter acquires an interest in any partnership or limited liability company, it will use its best efforts to cause such partnership or limited liability company to declare, pursuant to its constituting documents, such interests to be "securities" for the purposes of the STA.
- (f) For the purposes of this Agreement, the term "Control Agreement" means:
- (i) with respect to any uncertificated securities included in the Collateral, any agreement between the issuer of such uncertificated securities and another Person whereby such issuer agrees to comply with instructions that are originated by such Person in respect of such uncertificated securities, without the further consent of the Corporation; and
- (ii) with respect to any securities accounts or security entitlements included in the Collateral, an agreement between the securities intermediary in respect of such securities accounts or security entitlements and another Person to comply with any entitlement orders with respect to such securities accounts or security entitlements that are originated by such Person, without the further consent of the Corporation.

## 6. RIGHTS OF THE SECURED PARTY - INVESTMENT PROPERTY

- (a) The Secured Party shall have the right to have any uncertificated securities or certificated securities included in the Collateral registered in its name or in the name of its nominee; and for such purpose, the Corporation shall comply with Section 5(a) or 5(b) hereof, as applicable, upon the request of the Secured Party.
- (b) The Secured Party shall have the right to become or have its nominee become the entitlement holder with respect to any security entitlements or investment property included in the Collateral; and for such purpose the Corporation shall comply with Section 5(a) hereof upon the request of the Secured Party.
- (c) As the registered holder of any uncertificated securities or certificated securities or the entitlement holder with respect to any investment property included in the Collateral, the Secured Party shall be entitled but not bound by or required to exercise any of the rights that any holder of such securities or such entitlement holder may at any time have. The Secured Party will not be responsible for any loss occasioned by its exercise of any such rights or by its failure to exercise the same within the time limited for the exercise thereof.

## 7. VERIFICATION OF COLLATERAL

The Secured Party shall have the right at any time, and from time to time, to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate and the Corporation agrees to furnish all assistance and information and to perform all such acts as the Secured Party may request in connection therewith and for such purpose to grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Corporation.

## 8. COLLECTION OF ACCOUNTS

After the occurrence of an Event of Default of the Corporation under this Security Agreement, the Secured Party may notify all or any account debtors of the Security Interest and may also direct such account debtors to make all payments on accounts, chattel paper and instruments forming part of the Collateral directly to the Secured Party. The Corporation acknowledges that any payments on accounts, chattel paper and instruments forming part of the Collateral or other proceeds of the Collateral received by the Corporation from account debtors or other parties, whether before or after notification of the Security Interest to account debtors and whether before or after the occurrence of an Event of Default under this Security Agreement, shall be received and held by the Corporation in trust for the Secured Party and shall be turned over to the Secured Party forthwith upon request by the Secured Party.

## 9. DISPOSITION OF AMOUNTS

Subject to any applicable requirements of the PFSA and to the rights of the Secured Party or any Receiver (as hereinafter defined) under this Security Agreement or the PFSA or other provisions of law to make deductions in respect of costs, charges and expenses or to apply costs, charges and expenses as a first or prior charge on the proceeds of realization, collection or disposition of the Collateral, all amounts collected or received by the Secured Party or any Receiver pursuant to or in exercise of any right it possesses with respect to the Collateral shall be applied on account of the indebtedness in such manner as the Secured Party, in its sole discretion, deems best or, at the option of the Secured Party, may be held unappropriated in a collateral account or released to the Corporation, all without prejudice to the liability of the Corporation or the rights of the Secured Party or any Receiver hereunder, and any surplus shall be accounted for as required by law.

## 10. EVENTS OF DEFAULT

The Corporation shall be in default under this Security Agreement upon the occurrence of an Event of Default under the Factor Agreement.

## 11. ACCELERATION

Upon the occurrence of an Event of Default under this Security Agreement or at any time thereafter, the Secured Party, in its sole discretion, may declare all or any part of the indebtedness which is not by its terms payable on demand to be immediately due and payable, without demand or notice of any kind. The provisions of this Security Agreement are not intended in any way to and shall not affect any rights of the Secured Party with respect to any indebtedness which may now or hereafter be payable on demand.

## 12. REMEDIES

- (a) Upon the occurrence of an Event of Default under this Security Agreement or at any time thereafter and in accordance with applicable law, the Secured Party may appoint or reappoint by instrument in writing, any person or persons, whether an officer or officers or an employee or employees of the Secured Party or not, to be a receiver or receivers (hereinafter called a "Receiver", which term when used herein shall include a receiver and manager) of the Collateral (including any interest, income or profits therefrom) and may remove any Receiver so appointed and appoint another in his stead. Any such Receiver shall, so far as concerns responsibility for his acts, be deemed the agent of the Corporation and not the Secured

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Party, and the Secured Party shall not be in any way responsible for any misconduct, negligence, or nonfeasance on the part of any such Receiver, his servants, agents or employees. The Secured Party may from time to time fix the Receiver's remuneration. Subject to the provisions of the Instrument appointing him, any such Receiver shall have power to take possession of the Collateral, to preserve the Collateral or its value, to carry on or concur in carrying on all or any part of the business of the Corporation and to sell, lease or otherwise dispose of or concur in selling, leasing or otherwise disposing of the Collateral (in its existing condition or after any repair, processing or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Receiver may seem reasonable including terms for deferred payment. To facilitate the foregoing powers, any such Receiver may, to the exclusion of all others, including the Corporation, enter, use and occupy all premises owned or occupied by the Corporation wherein the Collateral may be situated, maintain Collateral upon such premises, borrow money on a secured or unsecured basis and use the Collateral directly in carrying on the Corporation's business or as security for loans or advances or other credit to enable him to carry on the Corporation's business or otherwise, as such Receiver shall, in his discretion, determine. Except as may be otherwise directed by the Secured Party, all amounts received from time to time by such Receiver in carrying out his appointment shall be received in trust for and paid over to the Secured Party. Every such Receiver may, in the discretion of the Secured Party, be vested with all or any of the rights and powers of the Secured Party.

- (b) Upon an Event of Default under this Security Agreement or at any time thereafter, the Secured Party may make application to a court of competent jurisdiction for the appointment of a Receiver.
- (c) Upon an Event of Default under this Security Agreement or at any time thereafter, the Secured Party may, either directly or through its agents or nominees, exercise any or all of the powers and rights which could be available to a Receiver appointed pursuant to the foregoing subclause (a).
- (d) Upon an Event of Default under this Security Agreement or at any time thereafter, the Secured Party may take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and give valid and binding receipts and discharges therefor and in respect thereof and, upon default or at any time thereafter, the Secured Party may sell, lease or otherwise dispose of the Collateral (in its existing condition or after any repair, processing, or preparation for disposition) in such manner, at such time or times and place or places, for such consideration and upon such terms and conditions as to the Secured Party may seem reasonable including terms for deferred payment.
- (e) In addition to those rights granted herein and in any other agreement now or hereafter in effect between the Corporation and the Secured Party and in addition to any other rights the Secured Party or any Receiver may have at law or in equity, the Secured Party shall have, both before and after default, all rights and remedies of a secured party under the PPSA and the Receiver shall have all rights and remedies of a secured party under and to the extent provided in the PPSA. Provided always that, the Secured Party or any Receiver shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease, or otherwise dispose of the Collateral or to institute any proceedings for such purposes. Furthermore, neither the Secured Party nor any Receiver shall have any obligation to take any steps to preserve rights against other parties to any security, instrument or chattel paper whether the Collateral or proceeds and whether or not in the Secured Party's or Receiver's possession and shall not be liable or accountable for failure to do so.
- (f) The Corporation acknowledges that the Secured Party or any Receiver may take possession of the Collateral wherever it may be located and by any method permitted by law and the Corporation agrees, upon request from the Secured Party or any such Receiver, to assemble and deliver possession of the Collateral at such place or places as directed.
- (g) The Corporation agrees to pay all costs, charges and expenses reasonably incurred by the Secured Party or any Receiver, whether directly or for services rendered (including reasonable solicitor's and auditor's costs and other legal expenses and Receiver remuneration), in operating any accounts of the Corporation with the Secured Party, in discharging or satisfying any encumbrances, borrowings, taxes and other outgoings affecting the Collateral, in keeping in good standing any encumbrances on the Collateral ranking in priority to the Security Interest created by this Security Agreement, in preparing or enforcing this Security Agreement, in taking custody of, holding, preserving, repairing, processing, preparing for sale, lease or other disposition and selling, leasing or otherwise disposing of the Collateral, in carrying on the business of the Corporation and in enforcing or collecting the indebtedness; and the Corporation further agrees that all such costs, charges and expenses, together with any amounts owing as a result of any borrowing by the Secured Party or any Receiver, as permitted hereby, shall be a first and prior charge on the proceeds of realization, collection or disposition of the Collateral and shall be secured hereby.
- (h) The Secured Party will give the Corporation such notice or notices, if any, with respect to the disposition of the Collateral as may be required by the PPSA.
- (i) The Receiver and the Secured Party shall have power to make any sale, lease or other disposition of the Collateral as contemplated above in the name and on behalf of the Corporation or otherwise and the Receiver or any officer or manager from time to time of the Secured Party is hereby appointed the irrevocable attorney of the Corporation (with full powers of substitution and delegation) for the purpose of making any such sale, lease or other disposition and of executing agreements or documents and taking such action required to complete the same.
- (j) All remedies of the Secured Party at law and hereunder shall be cumulative and not in the alternative.



13. MISCELLANEOUS

- (a) The Corporation hereby authorizes the Secured Party to file such financing statements and other documents and do such acts, matters and things from time to time (including, without limitation, completing and adding or supplementing schedules hereto) as the Secured Party may deem appropriate to perfect and continue the Security Interest, to protect and preserve the Collateral and to realize upon the Security Interest and the Corporation hereby irrevocably constitutes and appoints any officer or manager from time to time of the Secured Party the true and lawful attorney of the Corporation, with full power of substitution and delegation, to do any of the foregoing in the name of the Corporation whenever and wherever it may be deemed necessary or expedient.
- (b) Without limiting any other right of the Secured Party, whenever the indebtedness is immediately due and payable or the Secured Party has the right to declare the indebtedness to be immediately due and payable (whether or not it has so declared), the Secured Party may, in its sole discretion, set off against indebtedness any and all amounts then owed to the Corporation by the Secured Party in any capacity, whether or not due, and the Secured Party shall be deemed to have exercised such right to set off immediately at the time of making its decision to do so even though any charge therefor is made or entered on the Secured Party's records subsequent thereto.
- (c) Upon the Corporation's failure to perform any of its obligations hereunder, the Secured Party may, but shall not be obligated to, perform any or all of such obligations, and the Corporation shall pay to the Secured Party, forthwith upon written demand therefor, an amount equal to the expense incurred by the Secured Party in so doing plus interest thereon from the date such expense is incurred until it is paid at the rate set out in the Factor Agreement, without duplication, which amount and interest thereon shall be included in the indebtedness secured hereby.
- (d) The Secured Party may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges and otherwise deal with the Corporation, debtors of the Corporation, sureties and others and with the Collateral and other security as the Secured Party may see fit without prejudice to the liability of the Corporation or the Secured Party's right to hold and realize the Security Interest. Furthermore, the Secured Party may demand, collect and sue on the Collateral in either the Corporation's or the Secured Party's name, at the Secured Party's option, and may endorse the Corporation's name on any and all checks, commercial paper, and any other instruments pertaining to or constituting the Collateral.
- (e) No delay or omission by the Secured Party in exercising any right or remedy hereunder or with respect to any indebtedness shall operate as a waiver thereof or of any other right or remedy, and no single or partial exercise thereof shall preclude any other or further exercise thereof or the exercise of any other right or remedy. Furthermore, the Secured Party may remedy any default by the Corporation hereunder or with respect to any indebtedness in any reasonable manner without waiving the default remedied and without waiving any other prior or subsequent default by the Corporation. No remedy herein conferred upon or reserved to the Secured Party is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other right and remedy given hereunder or now existing or hereafter to exist at law, in equity or by statute or pursuant to any other agreement or instrument between the Corporation and the Secured Party that may be in effect from time to time.
- (f) The Corporation waives protest of any instrument constituting Collateral at any time held by the Secured Party on which the Corporation is in any way liable and notice of any other action taken by the Secured Party.
- (g) In any action brought by an assignee of any interest of the Secured Party in this Security Agreement and the Security Interest or any part thereof to enforce any rights hereunder, the Corporation shall not assert against the assignee any set-off, claim or defence which the Corporation now has or hereafter may have against the Secured Party.
- (h) Except for any supplements or other schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Security Agreement shall be made except by a written Agreement executed by the parties hereto and no waiver of any provision hereof shall be effective unless in writing.
- (i) Whenever either party hereto is required or entitled to notify or direct the other or to make a demand or request upon the other, such notice, direction, demand or request shall be in writing and be given or made in accordance with the terms and conditions of the Factor Agreement.
- (j) This Security Agreement and the Security Interest created hereby are in addition to and not in substitution for any other security now or hereafter held by the Secured Party and is, and is intended to be a continuing Security Agreement and Security Interest.
- (k) This Security Agreement shall not merge in any subsequent security or be taken to be a substitute for any security of any nature whatsoever held by the Secured Party from the Corporation. It is further agreed that the taking of this Security Agreement shall not operate as a merger of the remedies of the Secured Party for payment, satisfaction or performance of the indebtedness or of the remedies of the Secured Party under any other agreement and notwithstanding this Security

- 8 -

Agreement and anything herein contained the said remedies shall remain available and be capable of enforcement against the Corporation and all other persons liable in respect thereof in the same manner and to the same extent as if this Security Agreement had not been made.

- (l) The headings used in this Security Agreement are for convenience only and are not to be considered as part of this Security Agreement and do not in any way limit or amplify the terms and provisions of this Security Agreement.
- (m) When the context so requires, the singular number shall be read as if the plural were expressed and vice versa and any reference to gender shall include the masculine, feminine, and neuter gender.
- (n) In the event any provisions of this Security Agreement, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms and provisions of this Security Agreement shall remain in full force and effect.
- (o) Nothing herein contained shall in any way obligate the Secured Party to grant, continue, renew, extend time for payment of or accept anything which constitutes or would constitute Indebtedness or to make any advance to or to provide any credit accommodation for the Corporation.
- (p) The Security Interest created hereby is intended to attach (i) to existing Collateral when this Security Agreement is signed by the Corporation and delivered to the Secured Party, and (ii) to Collateral subsequently acquired by the Corporation immediately upon the Corporation acquiring any rights in such Collateral. The Corporation and the Secured Party do not intend to postpone the attachment of any Security Interest created by this Security Agreement.
- (q) This Security Agreement and the transactions evidenced hereby shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein as the same may from time to time be in effect, including, where applicable, the PPSA. The Corporation and the Secured Party irrevocably consent and submit to the non-exclusive jurisdiction of the Ontario Superior Court of Justice and waive any objection based on venue or forum non conveniens with respect to any action instituted therein arising under this Security Agreement or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Security Agreement or the transactions related hereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Secured Party shall have the right to bring or respond to any action or proceeding against the Corporation or its respective property in the courts of any other jurisdiction which the Secured Party deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce its rights against the Corporation or its respective property).
- (r) Time shall be of the essence of this Security Agreement.
- (s) This Security Agreement shall enure to the benefit of and be binding upon the Secured Party and the Corporation and their respective successors and assigns; provided the Corporation will not assign this Security Agreement without the Secured Party's prior written consent.
- (t) Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies herein contained operating in favour of the Secured Party, and which have been waived or varied by the Corporation herein, whether expressly or by implication, but which are by the provisions of the PPSA incapable of waiver or variation by the Corporation, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.
- (u) The Corporation hereby acknowledges receipt of a copy of this Security Agreement.
- (v) This Security Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed by be an original and all of which taken together shall constitute one and the same agreement. Delivery by facsimile or by electronic transmission in portable document format (PDF) of an executed counterpart of this Security Agreement is as effective as delivery of an originally executed counterpart of this Security Agreement.
- (w) The Corporation hereby authorizes the Secured Party to file such financing statements and other documents and do such other acts, matters and things from time to time as the Secured Party may deem appropriate, in its sole discretion, to perfect and continue any security interest granted hereunder, and the Corporation hereby irrevocably constitutes and appoints any officer or manager from time to time of the Secured Party the true and lawful attorney of the Corporation, with full power of substitution and delegation, to do any of the foregoing in the name of the Corporation whenever and wherever it may be deemed necessary or expedient by the Secured Party, in its sole discretion. The Corporation hereby waives its right under the PPSA to receive a printed copy of any financing statement or financing change statement relating to this Security Agreement or any verification statement or other statement used by the Registrar (as defined in the PPSA) to confirm the registration of any such financing statement or financing change statement.

- 9 -

- (x) The parties hereby affirm and acknowledge that if there exists any inconsistency between the provisions of this Security Agreement and the provisions of the Factor Agreement, the provisions of the Factor Agreement shall, to the extent of such inconsistency, prevail.

CORPORATION CONFIRMS THAT IT HAS REVIEWED THE CONTENTS OF THIS AGREEMENT, THAT IT HAS HAD AN OPPORTUNITY TO SEEK THE ADVICE OF LEGAL AND OTHER COUNSEL PRIOR TO EXECUTING THIS AGREEMENT AND THAT IT HAS AVAILED ITSELF OF SUCH OPPORTUNITY AND OBTAINED WHATEVER ADVICE NECESSARY TO ENSURE THAT IT FULLY UNDERSTANDS AND APPRECIATES ITS RIGHTS AND OBLIGATIONS UNDER THIS AGREEMENT.

IN WITNESS WHEREOF the Corporation has executed this Security Agreement as of the date first above written,

3886727 CANADA INC.

Per:

  
Name: Debbie Pelezynski  
Title: President

I have authority to bind the Corporation

- 10 -

SCHEDULE "A"  
INTELLECTUAL PROPERTY

Registered Trademarks

Nil

- 11 -

**SCHEDULE "B"**  
**CORPORATION'S LOCATIONS**

1. Location of Corporation's Place of Business:  
3600 Laird Road, Unit 11, Mississauga, Ontario. L5L 6A6
2. Locations of Records relating to Collateral (if different from 1 above):
3. Locations of Collateral (if different from 1 above):

THIS IS EXHIBIT "G" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

*Alice Tom*  
A Commissioner, etc.



PERSONAL PROPERTY SECURITY REGISTRATION  
SYSTEM (ONTARIO) ENQUIRY RESULTS

Prepared for : Chaitons LLP - Lynda Christodoulou  
Reference : 57694  
Docket : 57694  
Search ID : 727716  
Date Processed : 5/27/2019 2:01:35 PM  
Report Type : PPSA Electronic Response  
Search Conducted on : 3886727 CANADA INC.  
Search Type : Business Debtor

**DISCLAIMER :**

This report has been generated using data provided by the Personal Property Registration Branch, Ministry of Government Services, Government of Ontario. No liability is undertaken regarding its correctness, completeness, or the interpretation and use that are made of it.

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE  
CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY SYSTEM IN RESPECT  
OF THE FOLLOWING:

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

RESPONSE CONTAINS: APPROXIMATELY 3 FAMILIES and 6 PAGES.

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS  
WHICH SET OUT A BUSINESS DEBTOR NAME WHICH IS SIMILAR TO THE NAME  
IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE  
OTHER SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT  
ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY  
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER  
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS  
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE  
INTERPRETATION AND USE THAT ARE MADE OF IT.



MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 1 OF 3 ENQUIRY PAGE : 1 OF 6

SEARCH : BD : 3886727 CANADA INC.

00 FILE NUMBER : 683348769 EXPIRY DATE : 05DEC 2022 STATUS :  
 01 CAUTION FILING : PAGE : 01 OF 001 MV SCHEDULE ATTACHED :  
 REG NUM : 20121205 1051 1529 5626 REG TYP: P PPSA REG PERIOD: 10  
 02 IND DOB : IND NAME:  
 03 BUS NAME: 3886727 CANADA INC.  
 OCN :  
 04 ADDRESS : 3600 A LAIRD ROAD #11  
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5L 6A6  
 05 IND DOB : IND NAME:  
 06 BUS NAME: HOLISTIC BLEND  
 OCN :  
 07 ADDRESS : 3600 A LAIRD ROAD #11  
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5L 6A6

08 SECURED PARTY/LIEN CLAIMANT :  
 PPN LIMITED PARTNERSHIP  
 09 ADDRESS : 435 - 44550 SOUTH SUMAS ROAD  
 CITY : CHILLIWACK PROV: BC POSTAL CODE: V2R 5M3  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
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 YEAR MAKE MODEL V.I.N.

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 13 GENERAL COLLATERAL DESCRIPTION  
 14  
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16 AGENT: MILLER THOMSON LLP  
 17 ADDRESS : 40 KING STREET WEST, SUITE 5800  
 CITY : TORONTO PROV: ON POSTAL CODE: M5H 3S1

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 3 ENQUIRY PAGE : 2 OF 6

SEARCH : BD : 3886727 CANADA INC.

FILE NUMBER 683348769

PAGE TOT REGISTRATION NUM REG TYPE  
 01 CAUTION : 001 OF 1 MV SCHED: 20140623 0917 1590 4772

21 REFERENCE FILE NUMBER : 683348769

22 AMEND PAGE: NO PAGE: CHANGE: J OTHER REN YEARS: CORR PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: 3886727 CANADA INC.

25 OTHER CHANGE: SUBORDINATION

26 REASON: PEN LIMITED PARTNERSHIP HAS SUBORDINATED ITS SECURITY INTEREST IN

27 /DESCR: THE ASSETS OF THE DEBTOR IN FAVOUR OF ROYAL BANK OF CANADA.

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY :	PROV :	POSTAL CODE :	DATE OF	NO FIXED
CONS.	MV	AMOUNT	MATORITY OR	MAT DATE
GOODS	INVTY	EQUIP	ACCTS	OTHER
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12				
13				
14				
15				

16 NAME : CHAITONS LLP (DB/55518)

17 ADDRESS : 5000 YONGE STREET, 10TH FLOOR

CITY : TORONTO PROV : ON POSTAL CODE : M2N 7E9

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 1 OF 3 ENQUIRY PAGE : 3 OF 6

SEARCH : BD : 3886727 CANADA INC.

FILE NUMBER 683348769

PAGE TOT REGISTRATION NUM REG TYPE  
 01 CAUTION : 001 OF 1 MV SCHED: 20150624 1400 1590 8376

21 REFERENCE FILE NUMBER : 683348769

22 AMEND PAGE: NO PAGE: CHANGE: J OTHER REN YEARS: CORR. PER:

23 REFERENCE DEBTOR/ IND NAME:

24 TRANSFEROR: BUS NAME: 3886727 CANADA INC.

25 OTHER CHANGE: SUBORDINATION

26 REASON: PPN LIMITED PARTNERSHIP HAS SUBORDINATED ITS SECURITY INTEREST IN

27 /DESCR: THE ASSETS OF THE DEBTOR IN FAVOUR OF SPROTT BRIDGING INCOME FUND

28 : LP.

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :

CONS. MV DATE OF NO FIXED

GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : CHAITONS LLP (DB/57694)

17 ADDRESS : 5000 YONGE STREET, 10TH FLOOR

CITY : TORONTO PROV : ON POSTAL CODE : M2N 7E9

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 2 OF 3 ENQUIRY PAGE : 4 OF 6

SEARCH : BD : 3886727 CANADA INC.

00 FILE NUMBER : 706759056 EXPIRY DATE : 04JUN 2020 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :  
 REG NUM : 20150604 0916 1590 6988 REG TYP: P PPSA REG PERIOD: 5  
 02 IND DOB : IND NAME:  
 03 BUS NAME: 3886727 CANADA INC.  
 OCN :  
 04 ADDRESS : 3600 LAIRD ROAD, UNIT 11  
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5L 6A6  
 05 IND DOB : IND NAME:  
 06 BUS NAME:  
 OCN :  
 07 ADDRESS :  
 CITY : PROV: POSTAL CODE:

08 SECURED PARTY/LIEN CLAIMANT :

SPROTT BRIDGING INCOME FUND LP

09 ADDRESS : 77 KING STREET WEST, SUITE 2925

CITY : TORONTO PROV: ON POSTAL CODE: M5K 1K7

CONS. MV DATE OF OR NO FIXED

GOODS INVTRY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE

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 YEAR MAKE MODEL V.I.N.

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GENERAL COLLATERAL DESCRIPTION

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16 AGENT: CHAITONS LLP (DB)

17 ADDRESS : 5000 YONGE STREET, 10TH FLOOR

CITY : TORONTO PROV: ON POSTAL CODE: M2N 7E9

END OF FAMILY

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

1C FINANCING STATEMENT / CLAIM FOR LIEN

FAMILY : 3 OF 3 ENQUIRY PAGE : 5 OF 6

SEARCH : BD : 3886727 CANADA INC.

00 FILE NUMBER : 717163794 EXPIRY DATE : 31MAY 2022 STATUS :  
 01 CAUTION FILING : PAGE : 001 OF 1 MV SCHEDULE ATTACHED :  
 REG NUM : 20160531 1720 1532 0369 REG TYP: P PPSA REG PERIOD: 3  
 02 IND DOB : IND NAME:  
 03 BUS NAME: 3886727 CANADA INC.  
 OCN :  
 04 ADDRESS : 11-3600A LAIRD ROAD  
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5L 6A6  
 05 IND DOB : IND NAME:  
 06 BUS NAME: HOLISTIC BLEND  
 OCN :  
 07 ADDRESS : 11-3600A LAIRD ROAD  
 CITY : MISSISSAUGA PROV: ON POSTAL CODE: L5L 6A6

08 SECURED PARTY/LIEN CLAIMANT :  
 BANK OF MONTREAL/BANQUE DE MONTREAL  
 09 ADDRESS : 100 KING ST. W., 11TH FLOOR  
 CITY : TORONTO PROV: ON POSTAL CODE: M5X 1A1  
 CONS. MV DATE OF OR NO FIXED  
 GOODS INVTY. EQUIP ACCTS OTHER INCL AMOUNT MATURITY MAT DATE  
 10 X X X X X  
 YEAR MAKE MODEL V.I.N.

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 GENERAL COLLATERAL DESCRIPTION

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 16 AGENT: CSRS  
 17 ADDRESS : 4126 NORLAND AVE  
 CITY : BURNABY PROV: BC POSTAL CODE: V5G 3S8

CONTINUED

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

MINISTRY OF CONSUMER AND BUSINESS SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: 3886727 CANADA INC.

FILE CURRENCY: May 26, 2019

2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

FAMILY : 3 OF 3 ENQUIRY PAGE : 6 OF 6

SEARCH : BD : 3886727 CANADA INC.

FILE NUMBER 717163794

PAGE TOT REGISTRATION NUM REG TYPE  
 01 CAUTION : 01 OF 001 MV SCHED: 20190430 1703 1462 4952  
 21 REFERENCE FILE NUMBER : 717163794  
 22 AMEND PAGE: NO PAGE: CHANGE: B RENEWAL REN YEARS: 3 CORR PER:  
 23 REFERENCE DEBTOR/ IND NAME:  
 24 TRANSFEROR: BUS NAME: 3886727 CANADA INC

25 OTHER CHANGE:

26 REASON:

27 /DESCR:

28 :

02/05 IND/TRANSFEE:

03/06 BUS NAME/TRFEE:

OCN:

04/07 ADDRESS:

CITY: PROV: POSTAL CODE:

29 ASSIGNOR:

08 SECURED PARTY/LIEN CLAIMANT/ASSIGNEE :

09 ADDRESS :

CITY : PROV : POSTAL CODE :  
 CONS, MV DATE OF NO FIXED  
 GOODS INVTRY EQUIP ACCTS OTHER INCL AMOUNT MATURITY OR MAT DATE

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16 NAME : BMO BANK OF MONTREAL - TR 5193


17 ADDRESS : 100 KING STREET WEST - 7TH FLOOR

CITY : TORONTO PROV : ON POSTAL CODE : M5X1A1

LAST SCREEN

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

THIS IS EXHIBIT "H" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
\_\_\_\_\_  
A Commissioner, etc.

## PERSONAL PROPERTY SUBORDINATION

TO: Sprout Bridging Income Fund LP ("SBIF")  
 AND TO: Chaltons LLP, its solicitors herein  
 RE: 3886727 Canada Inc. (the "Debtor")

## WHEREAS:

1. Debtor will grant or has granted a security interest in favour of SBIF in all of its property, assets and undertaking as security for payment and performance of all its present and future obligations to SBIF (the "SBIF Security").
2. Debtor has executed a security agreement or has otherwise granted a security interest in favour of the undersigned, whereby Debtor granted a security interest in favour of the undersigned in all of its property, assets and undertaking (collectively, the "Collateral") as security for payment and performance of all its present and future obligations to the undersigned.
3. the undersigned has agreed to postpone and subordinate its security interest in the Collateral in favour of the SBIF Security to the extent of the balance of any indebtedness of Debtor to SBIF.

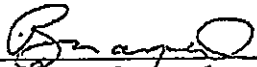
NOW THEREFORE for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged:

1. The undersigned hereby acknowledges and agrees that any and all security interests which it may now have or may hereafter acquire in and to the Collateral are now and shall be hereafter postponed and subordinated in all respects to the SBIF Security to the extent of the balance of any indebtedness of Debtor to SBIF.
2. Upon repayment in full of the indebtedness and other obligations of Debtor to SBIF, as evidenced by an acknowledgement in writing of payment in full by SBIF, this postponement and subordination by the undersigned shall be null and void and of no further effect.
3. The undersigned hereby acknowledges that SBIF will be purchasing various accounts receivable of the Debtor from time to time and hereby confirms that any such purchase shall be free and clear of any security interests of the undersigned.
4. The undersigned hereby authorizes Chaltons LLP to register the necessary financing statement to record the subordination created herein.

DATED the 15 day of JUNE, 2015.

PPN LIMITED PARTNERSHIP  
 By its general partner

PPN HOLDINGS LTD.

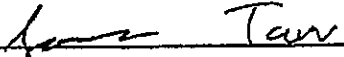
Per:   
 Name: RON MAHANT  
 Title: DIRECTOR OF THE GENERAL PARTNER

Per: \_\_\_\_\_  
 Name:  
 Title:

I/We have authority to bind the partnership.



THIS IS EXHIBIT "I" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

3:40 PM  
2019-01-30  
Accrual Basis

**My Healthy Pet  
Balance Sheet**  
As of 31 January 2019

	31 Jan 19
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Chequing/Savings</b>	
1-0007 · Bridge Approval to HB BMO	(2,312,260.14)
1-0008 · BMO HB	(500,000.00)
<b>Total Chequing/Savings</b>	(2,812,260.14)
<b>Accounts Receivable</b>	
1-1200 · Accounts Receivable - CAD	327,874.13
1-1250 · Accounts Receivable - USD	276,407.21
<b>Total Accounts Receivable</b>	604,281.34
<b>Other Current Assets</b>	
12100 · Inventory Asset	15,356.09
1-1300 · Deposits & Prepaids	34,003.51
1-3000 · Inventory	633,703.92
<b>Total Other Current Assets</b>	683,063.52
<b>Total Current Assets</b>	(1,524,915.28)
<b>Fixed Assets</b>	
1-4000 · Fixed Assets	90,913.16
<b>Total Fixed Assets</b>	90,913.16
<b>Other Assets</b>	
1-5000 · Due to Shareholder (Debbie)	(40,897.35)
<b>Total Other Assets</b>	(40,897.35)
<b>TOTAL ASSETS</b>	<u>(1,474,899.47)</u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2-2100 · Accounts Payable - CAD	387,885.47
2-2150 · Accounts Payable - USD	5,961.73
<b>Total Accounts Payable</b>	393,847.20
<b>Credit Cards</b>	
2-2200 · Credit Cards	8,528.66
<b>Total Credit Cards</b>	8,528.66
<b>Other Current Liabilities</b>	
2-2300 · Accruals	3,500.00
2-2400 · Payroll Liabilities	17,823.56
2-2600 · Non-IT Taxes Payable	(12,888.22)
<b>Total Other Current Liabilities</b>	8,835.34
<b>Total Current Liabilities</b>	411,011.20
<b>Long Term Liabilities</b>	
2-2800 · Long Term Liabilities	41,110.22
<b>Total Long Term Liabilities</b>	41,110.22
<b>Total Liabilities</b>	452,121.42

3:40 PM  
2019-01-30  
Accrual Basis

**My Healthy Pet**  
**Balance Sheet**  
As of 31 January 2019

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	<u>31 Jan 19</u>
<b>Equity</b>	
3-3010 • Capital Stock	110.00
3-3200 • Retained Earnings	(1,986,845.47)
Net Income	<u>66,870.40</u>
<b>Total Equity</b>	<u>(1,929,865.07)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>(1,477,743.65)</u></u>

2:37 PM  
2019-03-27  
Accrual Basis

**Holistic Blend  
Balance Sheet  
As of 31 March 2019**

	<u>31 Mar 19</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Chequing/Savings</b>	
1-0007 · Bridge Approval to HB BMO	(2,162,578.48)
1-0008 · BMO HB	<u>(494,118.78)</u>
<b>Total Chequing/Savings</b>	(2,656,697.26)
<b>Accounts Receivable</b>	
1-1200 · Accounts Receivable - CAD	127,349.85
1-1250 · Accounts Receivable - USD	<u>323,170.75</u>
<b>Total Accounts Receivable</b>	450,520.60
<b>Other Current Assets</b>	
12100 · Inventory Asset	22,156.09
1-1300 · Deposits & Prepaids	34,003.51
1-3000 · Inventory	<u>756,925.51</u>
<b>Total Other Current Assets</b>	<u>813,085.11</u>
<b>Total Current Assets</b>	(1,393,091.55)
<b>Fixed Assets</b>	
1-4000 · Fixed Assets	<u>92,300.66</u>
<b>Total Fixed Assets</b>	92,300.66
<b>Other Assets</b>	
1-5000 · Due to Shareholder (Debble)	<u>(36,737.35)</u>
<b>Total Other Assets</b>	<u>(36,737.35)</u>
<b>TOTAL ASSETS</b>	<u><u>(1,337,528.24)</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2-2100 · Accounts Payable - CAD	544,806.31
2-2150 · Accounts Payable - USD	<u>12,858.65</u>
<b>Total Accounts Payable</b>	557,664.96
<b>Credit Cards</b>	
2-2200 · Credit Cards	<u>41,629.64</u>
<b>Total Credit Cards</b>	41,629.64
<b>Other Current Liabilities</b>	
2-2300 · Accruals	3,500.00
2-2400 · Payroll Liabilities	42,526.27
2-2600 · Non-IT Taxes Payable	<u>32,272.41</u>
<b>Total Other Current Liabilities</b>	<u>78,298.68</u>
<b>Total Current Liabilities</b>	677,593.28
<b>Long Term Liabilities</b>	
2-2800 · Long Term Liabilities	<u>37,070.93</u>
<b>Total Long Term Liabilities</b>	<u>37,070.93</u>
<b>Total Liabilities</b>	714,664.21

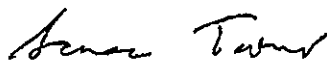
2:37 PM  
2019-03-27  
Accrual Basis

**Holistic Blend**  
**Balance Sheet**  
As of 31 March 2019

---

	<u>31 Mar 19</u>
Equity	
3-3010 - Capital Stock	110.00
3-3200 - Retained Earnings	(2,078,012.06)
Net Income	<u>25,709.61</u>
Total Equity	<u>(2,052,192.45)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>(1,337,528.24)</u></b>

THIS IS EXHIBIT "J" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019



A Commissioner, etc.

2:38 PM  
2019-03-27  
Accrual Basis

**Holistic Blend  
Profit & Loss  
October 2018 through March 2019**

	Oct '18 - Mar 19
<b>Ordinary Income/Expense</b>	
Income	
49900 · Uncategorized Income	332.87
4-4510 · Treats	43,216.73
4-4410 · Supplements	149,959.80
4-4310 · Wet Canned Food	140,659.16
4-4210 · Cat Food	776,507.24
4-4110 · Dog Food	669,721.83
<b>Total Income</b>	<b>1,780,397.63</b>
Cost of Goods Sold	
5-2910 · COGS- Wet Food	73,140.77
9-1000 Marketing Materials	227.14
5-0000 · COGS-Packaging	10,090.19
5-5900 · COGS - Freight	25,428.74
5-5110 · COGS - Dog Food	422,133.12
5-5410 · COGS - Supplements	47,152.89
5-5510 · COGS - Treats	21,314.21
5-5210 · COGS - Cat Food	458,114.91
<b>Total COGS</b>	<b>1,057,601.77</b>
<b>Gross Profit</b>	<b>722,795.86</b>
Expense	
6-6500 · Customer discounts, Advertising	81,246.47
6-6400 · Auto & Travel	7,751.51
6-6350 · Insurance	6,991.01
6-6340 · Telephone	11,107.84
6-6330 · Occupancy Costs	68,694.57
6-6320 · Bank Charges & Interest	170,747.35
6-6200 · General & Administrative	33,762.04
6-6100 · Salaries & Benefits	312,078.44
6-6310 · Professional Fees & Charges	7,208.32
6-6600 · Warehouse	41,366.36
<b>Total Expense</b>	<b>740,953.91</b>
<b>Net Ordinary Income</b>	<b>(18,158.05)</b>
Other Income/Expense	
Other Expense	
8-8000 · Other Expenses	(43,867.66)
<b>Total Other Expense</b>	<b>(43,867.66)</b>
<b>Net Other Income</b>	<b>43,867.66</b>
<b>Net Income</b>	<b>25,709.61</b>

THIS IS EXHIBIT "K" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

A handwritten signature in black ink, appearing to read "Brian Champ", is written over a horizontal line.

A Commissioner, etc.



5000 YONGE STREET, 10TH FLOOR, TORONTO, CANADA M2N 7E9  
 www.chaitons.com



REPLY TO: SAM RAPPAS  
 FILE NO.: 57694  
 DIRECT: 416-218-1137  
 FAX: 416-218-1837  
 EMAIL: samr@chaitons.com

**PRIVATE & CONFIDENTIAL**

May 17, 2019

VIA REGISTERED MAIL, REGULAR MAIL AND E-MAIL

3886727 Canada Inc. o/a Holistic Blend  
 3600 A. Laird Road #11  
 Mississauga, ON L5L 6A6

Attention: Debbie Pelczynski

Re: ***Indebtedness of 3886727 Canada Inc. o/a Holistic Blend (the "Company") to Bridging Income Fund LP (formerly Sprott Bridging Income Fund LP) ("Bridging")***

Dear Madam,

We are the lawyers for Bridging. According to our client's records, the Company is indebted to Bridging for advances made by Bridging pursuant to a term sheet dated May 25, 2015 (the "Loan"). The outstanding balance owing under the Loan as at the date hereof is \$2,360,544.25 for principal, interest and fees, plus costs.

The Loan is payable on demand and is secured by, *inter alia*, a General Security Agreement dated June 19, 2015.

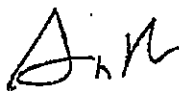
We are advised by our client that the Company is in default as it is insolvent and has admitted in writing that it is unable to pay its debts as they become due.

Bridging hereby declares the entire amount of the indebtedness of the Company to Bridging to be immediately due and payable. Unless the total amount owing as aforesaid together with additional interest accrued and fees and legal costs actually incurred to the date of payment or satisfactory arrangements therefor are made forthwith, Bridging shall take such steps as it deems necessary or advisable to recover payment of the Company's indebtedness in full, without further demand upon or notice to the Company. Such steps may include enforcement of its security.

Enclosed please find a Notice of Intention to Enforce Security and consent to enforcement, which are served upon you pursuant to section 244(1) of the *Bankruptcy and Insolvency Act* (Canada).

Govern yourself accordingly.

Yours truly,  
CHAITONS LLP



Sam Rappos  
PARTNER  
Encl.

SR/SPR

Cc: Client  
Debbie Pelczynski

**NOTICE OF INTENTION TO ENFORCE A SECURITY**  
(given pursuant to section 244 of the *Bankruptcy and Insolvency Act*)

To: **3886727 Canada Inc. o/a Holistic Blend**, an insolvent person

Take notice that:

1. **Bridging Income Fund LP**, a secured creditor, intends to enforce its security on all of the present and after-acquired personal property of 3886727 Canada Inc. o/a Holistic Blend.
2. The security that is to be enforced includes a General Security Agreement dated June 19, 2015 (collectively, the "Security").
3. The total amount of indebtedness secured by the Security as at the close of business on May 17, 2019 is \$2,360,544.25 inclusive of principal, interest and fees, plus costs.
4. The secured creditor will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the insolvent person consents to an earlier enforcement in the form attached hereto as Schedule "A".

DATED at Toronto, this 17<sup>th</sup> day of May, 2019.

**BRIDGING INCOME FUND LP,**  
by its lawyers, Chaitons LLP

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

  
SAM RAPPOS

**CONSENT**

**TO: Bridging Income Fund LP ("Bridging")**  
**AND TO: Chaitons LLP**  
**RE: Indebtedness of 3886727 Canada Inc. o/a Holistic Blend to Bridging**

---

The undersigned, 3886727 Canada Inc. o/a Holistic Blend, hereby: (a) consents to the immediate enforcement of the security referred to in the attached Notice of Intention to Enforce Security dated May 17, 2019; (b) waives its right to the ten (10) day notice period provided under Section 244 of the *Bankruptcy and Insolvency Act* (Canada); and (c) consents to the private or Court-appointment of a receiver over all of the undersigned's property, assets and undertakings.

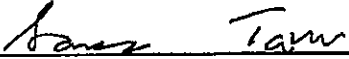
Dated this \_\_\_\_ day of May, 2019.

**3886727 CANADA INC.**  
**o/a HOLISTIC BLEND**

Per: \_\_\_\_\_  
Name: Debbie Pelczynski  
Title: President

I have the authority to bind the  
Corporation

THIS IS EXHIBIT "L" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

**Sam P. Rappos**

---

**From:** Debbie Pelczynski <debbie@myhealthypet.ca>  
**Sent:** Friday, May 17, 2019 5:18 PM  
**To:** Michael Wong  
**Cc:** Brian Champ; Lekan Temidire  
**Subject:** Re: Payroll

Hey Michael

I was not expecting this so I told my people no money and it's already handled. I would rather not use any more money from Bridge. I appreciate the help really, but from here I need to figure things out.

Please don't put anymore funds into the account. I can write a cheque and deposit into the Bridge hold account?

Regards  
Deb

Sent from my iPhone

On May 17, 2019, at 5:08 PM, Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)> wrote:

Hi Debbie,

We have sent funds to your disbursement account to cover payroll.

Regards  
Michael

---

**From:** Debbie Pelczynski [<mailto:debbie@myhealthypet.ca>]  
**Sent:** Friday, May 17, 2019 4:07 PM  
**To:** Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)>  
**Cc:** Brian Champ <[BChamp@bridgingfinance.ca](mailto:BChamp@bridgingfinance.ca)>; Lekan Temidire <[Itemidire@bridgingfinance.ca](mailto:Itemidire@bridgingfinance.ca)>  
**Subject:** Re: Payroll

Hey Michael

Thanks, but I don't have anything to cover it. I was told yesterday Bridge was no longer helping me. If there were any funds sitting then apply to the account

Take care  
Deb

Sent from my iPhone

On May 17, 2019, at 1:49 PM, Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)> wrote:

Hi Debbie,

Please be advised that payroll will be covered today. Here is a breakdown of the amount being sent to the BMO account:

<image003.png>

Regards  
Michael

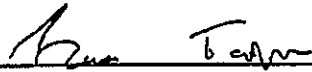
**Michael Wong**  
Manager | Bridging Finance Inc.  
2020 Winston Park Drive, Suite 300 | Oakville | ON | L6H 6X7  
T: (416) 644-6444 ext. 104 | TF: 1(855) 614-6444 | C: (416) 909-2369  
[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)  
Visit us on the web [www.bridgingfinance.ca](http://www.bridgingfinance.ca)

*Canada's Premier Private Debt Provider*

---

As we continue our migration from BridgingFactor Inc. to Bridging Finance Inc., we ask that you update your system to include [accounts@bridgingfinance.ca](mailto:accounts@bridgingfinance.ca). Thank you for your cooperation

THIS IS EXHIBIT "M" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
\_\_\_\_\_  
A Commissioner, etc.





HARRIS + HARRIS LLP  
BARRISTERS AND SOLICITORS

May 24, 2019

*Delivered via E-mail:*  
[samr@chaitons.com](mailto:samr@chaitons.com)

**ATTENTION: SAM RAPPOS**

Chaitons LLP  
5000 Yonge Street, 10<sup>th</sup> Floor  
Toronto, ON M2N 7E9

Dear Mr. Rappos,

**RE: Indebtedness of 3886727 Canada Inc. o/a Holistic Blend to Bridging Income Fund LP (Formerly Sprott Bridging Income Fund LP)**  
**Your File: 57694**  
**Our File: 15909**

---

Please be advised that we act as counsel to 3886727 Canada Inc. operating as Holistic Blend ("Holistic Blend"). Holistic Blend has forwarded us your letter of May 17, 2019 demanding repayment of all amounts outstanding pursuant to a term sheet dated May 25, 2015 and owing to Bridging Income Fund LP (formerly Sprott Bridging Income Fund LP) ("Bridging") ("Letter 1"). Further, Ms. Debbie Pelczynski ("Ms. Pelczynski") has also forwarded us a letter you had sent which had been addressed to her in her personal capacity related to a personal guarantee dated June 19, 2015 with respect to the indebtedness of Holistic Blend and secured by a charge/mortgage as against her personal residence municipally known as 151 Oliver Place, Oakville, Ontario ("Personal Residence") in the amount of \$400,000.00 in favour of Bridging ("Letter 2"). This letter is in response to Letter 1 and Letter 2. Further to same, kindly please provide me with copies of all the supporting documents your client is relying upon with respect to the indebtedness and personal guarantee.

Our client denies that, as stated in your Letter 1 that it is insolvent and has 'admitted in writing' that it is unable to pay its debts as they become due. Rather, Holistic Blend had advised Bridging that Holistic Blend requested Bridging's continued support over the next four (4) weeks by delaying the taking of interest payments until after such four (4) week period, but permitting supplier and overhead payments to be made during such four (4) week period with monies that had been received from sales (i.e. the monies used for supplier and overhead payments was not additionally requested loan monies, but rather monies received from sales); it appears your client may have misunderstood her communication resulting in the position your client has taken in

Letter 1 and Letter 2. However, our client does recognize that substantial sums are owing to your client and wishes to repay same. Accordingly, our client wishes to arrive at an arrangement for the repayment of amounts outstanding, as noted within Letter 1 and Letter 2.

As I am sure your client is aware, Holistic Blend has suffered a few setbacks over the past one and one-half years, which issues have now been resolved. The issues our client has faced include the following:

- 1) Packaging – Holistic Blend was, at times, without a reliable bag manufacturer for its product which met specifications. Accordingly, this resulted in product being delayed from shipment and sale (and in some cases, lost sales) resulting in a drag and decrease in overall cash flow to Holistic Blend. This issue has now been resolved by having a reliable partner able to manufacture the required bags as per specification at a fraction of the previous cost, thus increasing per bag and overall profitability for Holistic Blend;
- 2) During the packaging issue, Holistic Blend's revenues generated from sales were lower than anticipated. The decrease in sales revenue caused a chain reaction which prevented Holistic Blend from being able to make required payments to other suppliers for products which made up a portion (approximately 30%) of Holistic Blend's overall revenue and caused a further drag on sales and overall revenues by not having those products available for sale (as Holistic was unable to acquire same to sell). This was caused by those other suppliers not willing to extend credit to Holistic Blend to acquire the supplies to sell and Holistic Blend not having sufficient revenue to purchase same outright upfront, resulting in Holistic Blend waiting for revenues to arrive in order to be able to pay further suppliers for items, which caused further back orders resulting in further delays to revenue generation;
- 3) Food Production – Holistic Blend encountered a few issues with respect to the production of some of its product. Specifically, our clients lamb formulation (which is a very unique as it is all natural without additives for preserving) was vitiating more quickly than the best before date on the packaging causing issues with product manufacturing, retailers, and customer end users. The manufacturing process has been resolved, which in turn has assisted in the repair of credibility issues associated with the Holistic Blend brand arising from the food vitiating as noted. Credibility has since been in the process of being repaired and will result in incremental sales growth.
- 4) The People's Republic of China – China had tightened its borders and reduced the frequency with which shipments could be made to mainland China resulting in lower sales volumes which consequently put a drag on overall revenues. However, this issue has been alleviated by securing partners who have applied for Ministry of Agriculture permits which will allow Holistic Blend to make sales of larger quantities and will result in increased revenue generation.

The resolution of the above issues will, and has, assisted Holistic Blend to reach increased sales goals which will in turn assist Holistic Blend with the repayment of amounts owing to Bridging. Further, Holistic Blend has secured a second distributor for its product in China (which the 1<sup>st</sup> distributor has approved of and permitted Holistic Blend to provide product to); in the past Holistic Blend had provided exclusivity to certain distributors but that is no longer the case in China thus permitting increased sales via multiple channels. Each of these distributors has committed to six (6) containers each for the period June to September 2019. These sales are all prepaid for the months of June, July and August 2019. Further, these two (2) distributors are also placing additional deposits for an additional four (4) containers each for October 2019. These sales will, in turn, permit Holistic Blend to demonstrate to an outside investor (one who has consistently been interested in investing in the business) as to the strength of the business and its sales, and permit Holistic Blend to raise a sufficient amount of capital that it would be in a position to repay the amount outstanding and owing to Bridging.

The sales growth to China, as noted above, which will in turn result in a financing capital raise, will result in your client recovering far more of its money in a much quicker time frame than proceeding with pushing Holistic Blend into insolvency now as per Letter 1 and Letter 2, and attempting to recover its monies in such a fashion.

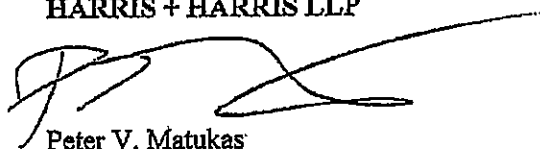
In addition, Ms. Pelczynski is working on financing to payout the charge/mortgage Bridging has as against the Personal Residence, which monies raised would go to repayment of outstanding obligations owed to Bridging, provided Bridging would release the charge/mortgage as against the Personal Residence or move to third position upon receipt of said monies. Please note that Ms. Pelczynski has four (4) foster children (the four children are siblings) whom she cares for and reside with her at the Personal Residence. Forcing the sale of the Personal Residence would result in such foster children being separated and placed with different foster parents resulting in the breaking-up of a family unit and four siblings which had recently lost their own biological parents to tragedy, a result Ms. Pelczynski is trying her best to avoid and seeks your client's consideration, compassion, empathy and cooperation with respect to same.

Our client anticipates requiring approximately six (6) to eight (8) months in order to pay out amounts owing to Bridging, but with incremental amounts being paid out to reduce the indebtedness in June (amount of June payment to be determined; based upon the amount Ms. Pelczynski is able to obtain upon arranging financing to payout the charge upon the Personal Residence), July (\$150,000), September (\$200,000) and October (\$200,000) 2019. The balance of amounts paid would be paid out upon the raising of capital from an outside investor and the closing of such transaction.

Accordingly, and in light of the above, our client requests that your client take no steps to prejudice our client's rights during the intervening time period as an arrangement for the repayment of amounts outstanding is arrived at.

I look forward to hearing from you with respect to the above noted matter.

Yours truly,  
HARRIS + HARRIS LLP



Peter V. Matukas

PVM/in  
cc client  
G:\WP5\1\F\15001-16000\15909\Correspondence\Lin.L.Rappos dated May 24-19.docx

5000 YONGE STREET, 10<sup>TH</sup> FLOOR, TORONTO, CANADA M2N 7E9  
 www.chaitons.com



REPLY TO: SAM RAPPAS  
 FILE NO.: 57694  
 DIRECT: 416-218-1137  
 FAX: 416-218-1837  
 EMAIL: samr@chaitons.com

May 24, 2019

VIA EMAIL

Peter V. Matukas  
 Harris & Harris LLP  
 295 The West Mall, 6th Floor  
 Toronto, ON M9C 4Z4

**Re: *Indebtedness of 3886727 Canada Inc. o/a Holistic Blend (the "Company") to Bridging Income Fund LP (formerly Sprott Bridging Income Fund LP) ("Bridging")***

Dear Mr. Matukas,

We write to you in response to your letter of today's date. We do not intend to address each of the issues raised in your letter. However, this should not be interpreted as Bridging agreeing to the contents of your letter.

You state that the Company denies that it is insolvent or has admitted it is unable to pay its debts as they become due. That is incorrect. The Company is clearly insolvent on a balance sheet and cash flow basis, based on the information and documentation provided by the Company to Bridging.

The most recent balance sheet prepared by the Company was as of March 31, 2019, a copy of which is enclosed herewith. The balance sheet evidences that the liabilities of the Company exceed the assets of the Company. Additionally, the Company is unable to meet its obligations generally as they become due. Ms. Pelczynski informed Bridging on May 17, 2019 that the Company did not have sufficient funds to meet payroll. Bridging funded the payroll amount to the Company's disbursement account, and Ms. Pelczynski indicated that she wanted to return the funds to Bridging. A copy of the email exchange is enclosed herewith.

In addition, the Company is unable to repay its indebtedness to Bridging, and Ms. Pelczynski has frequently indicated that she is on the verge of filing for bankruptcy.

Notwithstanding what is set out in your letter, there was no misunderstanding on Bridging's part regarding the financial situation of the Company and the Company's request for Bridging's continued support. Bridging has most recently supported the Company by funding overhead and supplier payments totalling \$174,177.09 for the period from April 25 to May 17, 2019, while only collecting \$124,767.03 for that period.

In terms of the setbacks the Company has recently faced, while the Company has faced some operational issues, there are still significant issues that the Company continues to face, which Bridging has no confidence the Company can overcome, including:

- (a) large customers (i.e. Chewy, Inc. and Pet Food Institute) failing to pay its outstanding invoices;



- (b) the Company's inability to make its supplier payments to PLB International when due and owing in accordance with agreed to payment terms;
- (c) the Company's overdraft with Bank of Montreal; and
- (d) the judgment obtained by Evanger's Dog & Cat Food Company against the Company.

Bridging is not prepared to enter into a forbearance arrangement with the Company, as it lacks confidence in Ms. Pelczynski's ability to solve the Company's financial and operational issues.

As a result, we ask that you please confirm whether you have instructions to accept service of a receivership application on behalf of the Company.

Yours truly,  
CHAITONS LLP

*Sam Rappos*

(computer generated signature)

Sam Rappos  
LAWYER  
Encl.

Cc: Client

2:37 PM  
2019-03-27  
Accrual Basis

**Holistic Blend  
Balance Sheet  
As of 31 March 2019**

	<u>31 Mar 19</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Chequing/Savings</b>	
1-0007 · Bridge Approval to HB BMO	(2,162,578.48)
1-0008 · BMO HB	<u>(494,118.78)</u>
<b>Total Chequing/Savings</b>	(2,656,697.26)
<b>Accounts Receivable</b>	
1-1200 · Accounts Receivable - CAD	127,349.85
1-1250 · Accounts Receivable - USD	<u>323,170.75</u>
<b>Total Accounts Receivable</b>	450,520.60
<b>Other Current Assets</b>	
12100 · Inventory Asset	22,156.09
1-1300 · Deposits & Prepaids	34,003.51
1-3000 · Inventory	<u>756,925.51</u>
<b>Total Other Current Assets</b>	<u>813,085.11</u>
<b>Total Current Assets</b>	(1,393,091.55)
<b>Fixed Assets</b>	
1-4000 · Fixed Assets	<u>92,300.66</u>
<b>Total Fixed Assets</b>	92,300.66
<b>Other Assets</b>	
1-5000 · Due to Shareholder (Debbie)	<u>(36,737.35)</u>
<b>Total Other Assets</b>	<u>(36,737.35)</u>
<b>TOTAL ASSETS</b>	<u><u>(1,337,528.24)</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2-2100 · Accounts Payable - CAD	544,806.31
2-2150 · Accounts Payable - USD	<u>12,858.65</u>
<b>Total Accounts Payable</b>	557,664.96
<b>Credit Cards</b>	
2-2200 · Credit Cards	<u>41,629.64</u>
<b>Total Credit Cards</b>	41,629.64
<b>Other Current Liabilities</b>	
2-2300 · Accruals	3,500.00
2-2400 · Payroll Liabilities	42,526.27
2-2500 · Non-IT Taxes Payable	<u>32,272.41</u>
<b>Total Other Current Liabilities</b>	<u>78,298.68</u>
<b>Total Current Liabilities</b>	677,593.28
<b>Long Term Liabilities</b>	
2-2800 · Long Term Liabilities	<u>37,070.93</u>
<b>Total Long Term Liabilities</b>	<u>37,070.93</u>
<b>Total Liabilities</b>	714,664.21

2:37 PM  
2019-03-27  
Accrual Basis

**Holistic Blend  
Balance Sheet  
As of 31 March 2019**

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	<u>31 Mar 19</u>
Equity	
3-3010 · Capital Stock	110.00
3-3200 · Retained Earnings	(2,078,012.06)
Net Income	25,709.61
Total Equity	<u>(2,052,192.45)</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>(1,337,528.24)</u></u>



**Sam P. Rappos**

---

**From:** Debbie Pelczynski <debbie@myhealthypet.ca>  
**Sent:** Friday, May 17, 2019 5:18 PM  
**To:** Michael Wong  
**Cc:** Brian Champ; Lekan Temidire  
**Subject:** Re: Payroll

Hey Michael

I was not expecting this so I told my people no money and it's already handled. I would rather not use any more money from Bridge. I appreciate the help really, but from here I need to figure things out.

Please don't put anymore funds into the account. I can write a cheque and deposit into the Bridge hold account?

Regards  
Deb

Sent from my iPhone

On May 17, 2019, at 5:08 PM, Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)> wrote:

Hi Debbie,

We have sent funds to your disbursement account to cover payroll.

Regards  
Michael

---

**From:** Debbie Pelczynski [<mailto:debbie@myhealthypet.ca>]  
**Sent:** Friday, May 17, 2019 4:07 PM  
**To:** Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)>  
**Cc:** Brian Champ <[BChamp@bridgingfinance.ca](mailto:BChamp@bridgingfinance.ca)>; Lekan Temidire <[Itemidire@bridgingfinance.ca](mailto:Itemidire@bridgingfinance.ca)>  
**Subject:** Re: Payroll

Hey Michael

Thanks, but I don't have anything to cover it. I was told yesterday Bridge was no longer helping me. If there were any funds sitting then apply to the account

Take care  
Deb

Sent from my iPhone

On May 17, 2019, at 1:49 PM, Michael Wong <[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)> wrote:

Hi Debbie,

Please be advised that payroll will be covered today. Here is a breakdown of the amount being sent to the BMO account:

<Image003.png>

Regards

Michael


**Michael Wong**  
Manager | Bridging Finance Inc.  
2020 Winston Park Drive, Suite 300 | Oakville | ON | L6H 6X7  
T: (416) 644-6444 ext. 104 | TF: 1(855) 614-6444 | C: (416) 909-2369  
[mwong@bridgingfinance.ca](mailto:mwong@bridgingfinance.ca)  
Visit us on the web [www.bridgingfinance.ca](http://www.bridgingfinance.ca)

*Canada's Premier Private Debt Provider*

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As we continue our migration from BridgingFactor Inc. to Bridging Finance Inc., we ask that you update your system to include [accounts@bridgingfinance.ca](mailto:accounts@bridgingfinance.ca). Thank you for your cooperation

THIS IS EXHIBIT "N" REFERRED TO IN  
THE AFFIDAVIT OF BRIAN CHAMP  
SWORN BEFORE ME THIS 30<sup>TH</sup> DAY OF MAY, 2019

  
A Commissioner, etc.

Court File No.

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

BETWEEN:

**BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.**

Applicant

- and -

**3886727 CANADA INC.,  
carrying on business as Holistic Blend**

Respondent

APPLICATION UNDER SUBSECTION 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

**CONSENT**

KSV KOFMAN INC. ("KSV") hereby consents to act as Court-appointed receiver and manager, without security, of all of the assets, undertakings and properties of the Respondent pursuant to subsection 243(1) of *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, in accordance with an order substantially in the form requested by the Applicant, or as such order may be amended in a manner satisfactory to KSV.

DATED this 24<sup>th</sup> day of May, 2019

KSV KOFMAN INC.

By: 

Name:

Position:

*Noah Goldstein  
Managing Director*

I have authority to bind the corporation

BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.

11  
Applicant

-and-

3886727 CANADA INC.,  
carrying on business as HOLISTIC BLEND

Respondent  
Court File No.

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
**PROCEEDING COMMENCED AT**  
**TORONTO**

**AFFIDAVIT OF BRIAN CHAMP**  
(sworn May 30, 2019)

**CHATTONS LLP**  
5000 Yonge Street, 10th Floor  
Toronto, Ontario M2N 7E9

**Harvey Chaiton (LSO No. 21592F)**  
Tel: (416) 218-1129  
Fax: (416) 218-1849  
E-mail: harvey@chaitons.com

**Sam Rappos (LSO No. 51399S)**  
Tel: (416) 218-1137  
Fax: (416) 218-1837  
E-mail: samr@chaitons.com

**Lawyers for the Applicant**

# Tab 3

Court File No.

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

THE HONOURABLE  
JUSTICE

)  
)  
)

WEDNESDAY, THE 12th  
DAY OF JUNE, 2019

**BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.**

Applicant

- and -

**3886727 CANADA INC.,  
carrying on business as Holistic Blend**

Respondent

**ORDER  
(appointing Receiver)**

**THIS APPLICATION** made by 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. as receiver and manager (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of 3886727 Canada Inc., carrying on business as Holistic Blend (the "Debtor"), acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

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ON READING the affidavit of Brian Champ sworn May 30, 2019 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, the Respondent, and such other counsel as were present, no one appearing for any other person on the service list, although properly served as appears from the affidavit of service of Lynda Christodoulou sworn •, 2019, and on reading the consent of KSV Kofman Inc. to act as the Receiver,

#### SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record 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 Kofman Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

#### RECEIVER'S POWERS

3. **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;



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- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, 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;
- (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 or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;

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- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (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, 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 any or all of 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,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$100,000, provided that the aggregate consideration for all such transactions does not exceed 500,000; and

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(ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act* 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

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foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; 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 (as defined below), including the Debtor, and without interference from any other Person.

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

4. **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 forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **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

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affairs of the Debtor, 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.

6. **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.

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7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

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

8. **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**

9. **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**

10. **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

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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**

11. **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, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor 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 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**

13. **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**

14. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. 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**

15. **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**

16. **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 (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**

17. **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**

18. **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

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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.

19. **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.

20. **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**

21. **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

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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.

22. **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.

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

24. **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**

25. **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/e-service-protocol/>) 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. This Court further orders that a Case Website shall be established in accordance with the Protocol.

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26. **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.

27. **THIS COURT ORDERS** that the Applicant, the Receiver and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Debtor's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

#### **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.

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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 shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Applicant's security or, if not so provided by the Applicant's security, then on a substantial indemnity basis to be paid 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.



**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

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

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

1. THIS IS TO CERTIFY that KSV Kofman Inc. the receiver (in such capacity, the "Receiver") of the assets, undertakings and properties of 3886727 Canada Inc., carrying on business as Holistic Blend (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 12<sup>th</sup> day of June, 2019 (the "Order") made in an action having Court file number \_\_\_-CL-\_\_\_\_\_, 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.



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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 \_\_\_\_\_, 20\_\_.

**KSV KOFMAN INC.**, solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

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

Name:

Title:

# Tab 4

Revised: January 21, 2014  
s.243(1) BIA (National Receiver) and s. 101 CJA (Ontario) Receiver

Court File No.

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

THE HONOURABLE ) ~~WEEKDAY~~WEDNESDAY, THE #12th  
JUSTICE )  
 ) DAY OF MONTH JUNE, ~~20~~20~~19~~2019

**PLAINTIFF<sup>1</sup>**

Plaintiff

**BRIDGING INCOME FUND LP.**  
**by its general partner SB FUND GP INC.**

Applicant

- and -

**DEFENDANT**

Defendant

**3886727 CANADA INC.,**  
**carrying on business as Holistic Blend**

Respondent

**ORDER**  
**(appointing Receiver)**

<sup>1</sup>The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application.  
~~This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.~~

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THIS MOTION ~~APPLICATION~~ made by the Plaintiff<sup>2</sup> 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 ~~[RECEIVER'S NAME]~~ KSV Kofman Inc. as receiver ~~[and manager]~~ (in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of ~~[DEBTOR'S NAME]~~ 3886727 Canada Inc., carrying on business as Holistic Blend (the "Debtor"), acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~ Brian Champ sworn ~~[DATE]~~ May 30, 2019 and the Exhibits thereto and on hearing the submissions of counsel for ~~[NAMES]~~ the Applicant, the Respondent, and such other counsel as were present, no one appearing for ~~[NAME]~~ any other person on the service list, although ~~duly~~ properly served as appears from the affidavit of service of ~~[NAME]~~ Lynda Christodoulou sworn ~~[DATE]~~ 2019, and on reading the consent of ~~[RECEIVER'S NAME]~~ KSV Kofman Inc. to act as the Receiver,

#### SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of ~~Motion~~ Application and the ~~Motion~~ Application Record is hereby abridged and validated<sup>2</sup> so that this ~~motion~~ application is properly returnable today and hereby dispenses with further service thereof.

#### APPOINTMENT

<sup>2</sup> Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".

<sup>2</sup> If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.

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2. **THIS COURT ORDERS** that pursuant to section 243(1) of the BIA and section 101 of the CJA, ~~[RECEIVER'S NAME]~~KSV Kofman Inc. is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "Property").

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

3. **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, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, 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;

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- (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 or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor 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;
- (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, the Property or the Receiver, and to

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settle or compromise any such proceedings.<sup>4</sup> 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 any or all of 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,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$          100,000, provided that the aggregate consideration for all such transactions does not exceed \$          500,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, ~~for section 31 of the Ontario *Mortgages*~~

<sup>4</sup>~~This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.~~

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~~Act, as the case may be,<sup>5</sup> shall not be required, and in each case the Ontario Bulk Sales Act shall not apply;~~

- (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 any property owned or leased by the Debtor;

<sup>5</sup> ~~If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.~~



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- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; 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 (as defined below), including the Debtor, and without interference from any other Person.

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

4. **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 forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. **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, 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,

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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.

6. **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.

7. **THIS COURT ORDERS** that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the

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landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days notice to such landlord and any such secured creditors.

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

8. **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**

9. **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**

10. **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,

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(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**

11. **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, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

12. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor 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 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**

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13. **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**

14. **THIS COURT ORDERS** that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. 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**

15. **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

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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**

16. **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 (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

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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

17. **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

18. **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.<sup>6</sup>

<sup>6</sup> Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".

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19. **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.

20. **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**

21. **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.



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22. **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.

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

24. **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

25. **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/e-service-protocol/>) 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. This Court further orders that a Case Website shall be established in accordance with the Protocol ~~with the following URL~~



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26. **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.

27. THIS COURT ORDERS that the Applicant, the Receiver and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Debtor's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

#### GENERAL

28. 27.-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. 28.-THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

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30. ~~29.~~ **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. ~~30.~~ **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. ~~31.~~ **THIS COURT ORDERS** that the ~~Plaintiff~~Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the ~~Plaintiff~~Applicant's security or, if not so provided by the ~~Plaintiff~~Applicant's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

33. ~~32.~~ **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.

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DOCSFOR-177174218

**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

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

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

1. THIS IS TO CERTIFY that ~~[RECEIVER'S NAME]~~, KSV Kofman Inc., the receiver (in such capacity, the "Receiver") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~ of 3886727 Canada Inc., carrying on business as Holistic Blend (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "Property") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated the 12<sup>th</sup> day of June, 20 2019 (the "Order") made in an action having Court file number -CL-, 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

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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 \_\_\_\_\_, 20\_\_.

[RECEIVER'S NAME] KSV KOEMAN INC.  
solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

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

Name:

Title:

BRIDGING INCOME FUND LP,  
by its general partner SB FUND GP INC.

Applicant

-and-

3886727 CANADA INC.,  
carrying on business as Holistic Blend

Respondent

Court File No. CV-19-00620981-00CL

*ONTARIO*  
**SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
  
PROCEEDING COMMENCED AT  
TORONTO

**APPLICATION RECORD**

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